

**SB**

**23**

<TARGET><BILL>SB 23</BILL><SUBJECT>SB  
23</SUBJECT><COMM>SFIN28</COMM></TARGET>

# SENATE FINANCE COMMITTEE REPORT

DATE: 2/25/13

FURTHER:

DATE TURNED  
IN TO OFFICE: \_\_\_\_\_

**Finance Committee** considered SENATE BILL NO. 23

SB 23-AIDEA: LNG PROJECT; DIVIDENDS; FINANCING

"An Act relating to development project financing by the Alaska Industrial Development and Export Authority; relating to the dividends from the Alaska Industrial and Export Authority; authorizing the Alaska Industrial Development and Export Authority to provide financing and issue bonds for a liquefied natural gas production system and natural gas distribution system; and providing for an effective date."

and recommends:

- be replaced with CS SB 23 (FIN) [ ] Same Title  New Title
- [ ] adopt previous CS \_\_\_\_\_ (\_\_\_\_\_) [ ] Same Title [ ] New Title
- [ ] attached amendment(s)
- [ ] adopt \_\_\_\_\_ Letter of Intent
- [ ] further referral to \_\_\_\_\_ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
CED	X			
CED	X			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Dunleavy				✓
Anna Fairclough	FAIRCLOUGH				✓
	Bishop	✓			
	Hoffman	✓			
	Gerson				✓
CO-CHAIR:					
	Kelly	✓			

# Fiscal Note

State of Alaska  
2013 Legislative Session

Bill Version: SB 23  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB023CS(L&C)-DCCED-AIDEA-03-05-13  
Title: AIDEA: LNG PROJECT; DIVIDENDS; FINANCING  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: Senate Finance

Department: Department of Commerce, Community and  
Economic Development  
Appropriation: Alaska Industrial Development and Export  
Authority  
Allocation: Alaska Industrial Development and Export  
Authority  
OMB Component Number: 1234

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2014 Appropriation Requested	Included in Governor's FY2014 Request	Out-Year Cost Estimates					
			FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services	950.0		650.0	450.0	350.0	150.0	150.0	
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
<b>Total Operating</b>	<b>950.0</b>	<b>0.0</b>	<b>650.0</b>	<b>450.0</b>	<b>350.0</b>	<b>150.0</b>	<b>150.0</b>	

**Fund Source (Operating Only)**

1102 AIDEA Rcpt	950.0		650.0	450.0	350.0	150.0	150.0
<b>Total</b>	<b>950.0</b>	<b>0.0</b>	<b>650.0</b>	<b>450.0</b>	<b>350.0</b>	<b>150.0</b>	<b>150.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>	0.0		0.0	225.0	375.0	1,506.3	2,567.3
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 50,000.0

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes  
If yes, by what date are the regulations to be adopted, amended or repealed? 12/01/13

**Why this fiscal note differs from previous version:**

This version updates the revenues to the state based on AIDEA dividend rather than revenue to AIDEA. Note that AIDEA Dividend is calculated from "base year" which is two years prior to current year, for example: FY 16 dividend calculation will be based on FY 14 revenues.

Prepared By:	Ted Leonard, Executive Director	Phone:	(907)771-3000
Division	Alaska Industrial Development and Export Authority	Date:	03/05/2013 05:15 PM
Approved By:	JoEllen Hanrahan, Director	Date:	03/05/13
	Administrative Services Division		

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. SB 23

### Analysis

SB 23 has three distinct purposes related to AIDEA programs:

#### **DIRECT FINANCING**

This bill allows the Alaska Industrial Development and Export Authority (AIDEA) the ability to provide project financing for all or a portion of the cost of a development project which the authority does not intend to own or operate. At present, AIDEA is permitted to own or operate all or part of a project, but cannot make a direct loan on a project or guarantee a loan for a project. This bill would permit the authority to engage in project financing by loaning money to a project or guaranteeing a loan for a project rather than owning an interest in the project.

Funding for FY 2014 includes a one-time cost of 50.0 for consultants to assist in the preparation of new regulations necessary to implement a direct financing program and 150.0 to hire consultants and counsel to assist in underwriting loans and guarantees under this program. It is projected that this 150.0 in underwriting expenditures will be on-going.

The revenues projected to be earned from direct loan and guarantee finance packages are approximately 1.4 million. The direct loan and guarantee program will generate earnings on financing of development projects. The amount that AIDEA can charge for each direct financing is limited, but the overall anticipated returns are projected to be substantial due to the large dollar amounts involved with the type of projects that will be financed through the Direct Finance Program.

#### **AIDEA TECHNICAL CHANGE**

This bill makes a technical change in AS 44.88.088 to accommodate changes required by the Governmental Accounting Standards Board (GASB) to the Authority's audited financial statements. The calculation method for AIDEA's dividend will not change and no fiscal impact is expected.

#### **INTERIOR ENERGY PLAN**

This bill provides AIDEA financing in support of the Energy Plan. Specifically, SB 23 authorizes AIDEA to provide up to \$275 million in financing for a natural gas liquefaction plant and affiliated infrastructure on the North Slope, as well as providing for the financing of liquid natural gas (LNG) distribution systems under the sustainable energy transmission and supply fund (SETS) established under AIDEA.

This financing authorized under this bill includes: 1) authorization for AIDEA to provide financing through the issuance of up to \$150 million in bonds for the project, with the bonds to be secured by a capital reserve fund and 2) authorization for AIDEA to provide direct financing of \$125 million out of the money provided through the amended operating budget for the SETS fund. To help ensure lower energy rates for Alaskans are achieved, the bill limits the interest rates that AIDEA can charge for direct SETS financing at 3%.

In FY 2014, 750.0 is needed for contractual services to coordinate project partners, complete the financing agreements to fund the LNG project, and perform technical evaluations on project proposals. AIDEA projects that the administrative expenses for project construction management oversight for the LNG production and distribution system will require an additional 500.0 in FY 2015, 300.0 in FY 2016, and 200.0 in FY 2017.

(Continued on page 3)

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. SB 23

### Analysis Continued

The administrative expense of project construction management will be offset by AIDEA's income stream allowed under Sec. 10 (c) of SB23. AIDEA estimates the annual income stream from the 25 basis point allowance will generate 375.0 in the first year with that number decreasing in subsequent years to approximately 252.0 five years out.

The Change in Revenues reflect General Fund revenues to the state generated from AIDEA dividends. AIDEA Dividend is calculated from "base year" which is two years prior to current year, for example: FY 16 dividend calculation will be based on FY 14 revenues.

The entire \$355 million financing plan for the Interior Energy plan includes:

\$50 million appropriation to AIDEA (provided in the capital budget), \$125 million from SETS direct financing (provided in the amended operating budget), \$150 million in bond proceeds from bond authorization provided in this legislation, and \$30 million in natural gas storage credits (provided in previously passed legislation.)

Attached is a spreadsheet that provides a comprehensive summary of the fiscal impact of SB 23.

<b>Fiscal Notes for SB23 (AIDEA: LNG Projects; Dividends; Financing)</b>							
<b>Direct Financing (Not related to Interior Energy Plan)</b>							
	FY14	FY15	FY16	FY17	FY18	FY19	
<b>Cost to AIDEA</b>							
AIDEA Receipts	200	150	150	150	150	150	
Preparation of regulations	50	-	-	-	-	-	
Underwriting (includes 200.0 operating request)	150	150	150	150	150	150	
SETS Fund	-	-	-	-	-	-	
<b>GF Cost</b>	-	-	-	-	-	-	
<b>Revenue to AIDEA</b>	1,400.0	1,400.0	1,400.0	1,400.0	1,400.0	1,400.0	
<b>GF Revenue (Dividends to State - impact for FY 16 from FY 14 revenues)</b>			600	625	625	625	
<b>Gas Plant and Storage</b>							
	FY14	FY15	FY16	FY17	FY18	FY19	
<b>Cost to AIDEA</b>	750	500	300	200	-	-	
Coordination and evaluation	750	-	-	-	-	-	
Construction management	-	500	300	200	-	-	
<b>GF Cost</b>	175,000	-	-	-	-	-	
Capital Appropriation for Equity Stake	50,000	-	-	-	-	-	
Capitalize SETS Fund	125,000	-	-	-	-	-	
<b>Revenue to AIDEA</b>	-	-	1,875	3,711	3,631	3,548	
Interest on Direct Financing of Interior Energy Plan (SETS )	-	-	1,875.0	3,710.5	3,630.5	3,548.0	
<b>GF Revenue (Dividends to State - impact for FY 16 from FY 14 revenues)</b>			(375)	(250)	788	1,755	
<b>Transmission and Distribution (Debt Service on \$150m bonds issued at 3% for 30 years, with payments delayed until FY16)</b>							
	FY14	FY15	FY16	FY17	FY18	FY19	
<b>Cost to AIDEA</b>	-	-	-	-	-	-	
AIDEA Receipts	-	-	-	-	-	-	
SETS Fund	-	-	-	-	-	-	
<b>GF Cost</b>	-	-	-	-	-	-	
<b>Revenue to AIDEA</b>	-	-	188	374	371	369	
AIDEA Receipts (Administrative fee added to bond interest rate)	-	-	188	374	371	369	
<b>GF Revenue (Dividends to State - impact for FY 16 from FY 14 revenues)</b>	-	-	-	-	94	187	
<b>Private Investment (\$70m for 9BCF plant—expansion will be fully funded by additional private investment)</b>							
	FY14	FY15	FY16	FY17	FY18	FY19	
	70,000	-	-	-	-	-	
<b>Summary</b>							
	FY14	FY15	FY16	FY17	FY18	FY19	FY14-FY19
<b>GF Cost</b>	175,000	-	-	-	-	-	175,000
Capitalize SETS Fund (SETS Fund Capitalization Note)	125,000	-	-	-	-	-	125,000
Capital Appropriation for Equity Stake (AIDEA Note)	50,000	-	-	-	-	-	50,000
<b>AIDEA Cost</b>							
Direct Financing (AIDEA Note)	950	650	450	350	150	150	2,700
<b>AIDEA Revenue (AIDEA Note-analysis only)</b>	1,400	1,400	3,463	5,485	5,402	5,317	22,465
AIDEA Receipts	1,400	1,400	1,588	1,774	1,771	1,769	9,701
SETS Fund	-	-	1,875	3,711	3,631	3,548	12,764
<b>GF Revenue-Dividends to State (AIDEA Note)</b>	-	-	225	375	1,506	2,567	4,674
<b>Fiscal Notes</b>							
	FY14	FY15	FY16	FY17	FY18	FY19	FY14-FY19
<b>AIDEA</b>							
Direct Financing (AIDEA Receipts)	950.0	650.0	450.0	350.0	150.0	150.0	2,700.0
GF Revenue-Dividends to State (GF)	-	-	225.0	375.0	1,506.3	2,567.3	4,673.5
<b>Capitalize SETS Fund (GF)</b>	125,000.0	-	-	-	-	-	125,000.0
Capital Appropriation for Equity Stake (GF)	50,000.0	-	-	-	-	-	50,000.0
<b>Total Costs</b>	175,950.0	650.0	450.0	350.0	150.0	150.0	177,700.0
<b>Total GF Revenue Impact</b>	-	-	225.0	375.0	1,506.3	2,567.3	4,673.5

# Fiscal Note

State of Alaska  
2013 Legislative Session

Bill Version: SB 23  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB023CS(L&C)-DCCED-AIDEA-03-05-13  
Title: AIDEA: LNG PROJECT; DIVIDENDS; FINANCING  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: Senate Finance

Department: Fund Capitalization  
Appropriation: Fund Capitalization  
Allocation: AIDEA Sustainable Energy Transmission and  
Supply Development Fund  
OMB Component Number: 3036

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2014	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2014 Request	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>OPERATING EXPENDITURES</b>	<b>FY 2014</b>	<b>FY 2014</b>					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous		125,000.0					
<b>Total Operating</b>	<b>0.0</b>	<b>125,000.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

1213 AHCC		125,000.0					
<b>Total</b>	<b>0.0</b>	<b>125,000.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>							
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 50,000.0

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes  
If yes, by what date are the regulations to be adopted, amended or repealed? 12/01/13

**Why this fiscal note differs from previous version:**

This fiscal note separates the fund capitalization and capital appropriation needed as part of the proposed AIDEA LNG financing package from the operating impacts on AIDEA. The Governor's FY14 budget requests a transfer of \$125 million from the Alaska Housing Capital Corporation fund to capitalize the Sustainable Energy Transmission and Supply Development Fund. The Governor's FY14 capital budget also includes a \$50 million request as part of the financing package.

Prepared By:	Ted Leonard, Executive Director	Phone:	(907)771-3000
Division	Alaska Industrial Development and Export Authority	Date:	03/05/2013 07:30 PM
Approved By:	JoEllen Hanrahan, Director	Date:	03/05/13
	Administrative Services Division		

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. SB 23

### Analysis

#### **INTERIOR ENERGY PLAN**

This bill provides AIDEA financing in support of the Energy Plan. Specifically, SB 23 authorizes AIDEA to provide up to \$275 million in financing for a natural gas liquefaction plant and affiliated infrastructure on the North Slope, as well as providing for the financing of liquid natural gas (LNG) distribution systems under the sustainable energy transmission and supply fund (SETS) established under AIDEA.

This financing authorized under this bill includes: 1) authorization for AIDEA to provide financing through the issuance of up to \$150 million in bonds for the project, with the bonds to be secured by a capital reserve fund and 2) authorization for AIDEA to provide direct financing of \$125 million out of the money provided through the amended operating budget for the SETS fund. To help ensure lower energy rates for Alaskans are achieved, the bill limits the interest rates that AIDEA can charge for direct SETS financing at 3%.

The entire \$355 million financing plan for the Interior Energy plan includes: \$50 million appropriation to AIDEA (provided in the capital budget), \$125 million from SETS direct financing (provided in the amended operating budget), \$150 million in bond proceeds from bond authorization provided in this legislation, and \$30 million in natural gas storage credits (provided in previously passed legislation.)

Attached is a spreadsheet that provides a comprehensive summary of the fiscal impact of SB 23.

<b>Fiscal Notes for SB23 (AIDEA: LNG Projects; Dividends; Financing)</b>							
<b>Direct Financing (Not related to Interior Energy Plan)</b>							
	FY14	FY15	FY16	FY17	FY18	FY19	
<b>Cost to AIDEA</b>							
AIDEA Receipts	200	150	150	150	150	150	
Preparation of regulations	50	-	-	-	-	-	
Underwriting (includes 200.0 operating request)	150	150	150	150	150	150	
SETS Fund	-	-	-	-	-	-	
GF Cost	-	-	-	-	-	-	
Revenue to AIDEA	1,400.0	1,400.0	1,400.0	1,400.0	1,400.0	1,400.0	
GF Revenue (Dividends to State - impact for FY 16 from FY 14 revenues)			600	625	625	625	
<b>Gas Plant and Storage</b>							
	FY14	FY15	FY16	FY17	FY18	FY19	
<b>Cost to AIDEA</b>							
Coordination and evaluation	750	-	-	-	-	-	
Construction management	-	500	300	200	-	-	
GF Cost	175,000	-	-	-	-	-	
Capital Appropriation for Equity Stake	50,000	-	-	-	-	-	
Capitalize SETS Fund	125,000	-	-	-	-	-	
Revenue to AIDEA	-	-	1,875	3,711	3,631	3,548	
Interest on Direct Financing of Interior Energy Plan (SETS)	-	-	1,875.0	3,710.5	3,630.5	3,548.0	
GF Revenue (Dividends to State - impact for FY 16 from FY 14 revenues)			(375)	(250)	788	1,755	
<b>Transmission and Distribution (Debt Service on \$150m bonds issued at 3% for 30 years, with payments delayed until FY16)</b>							
	FY14	FY15	FY16	FY17	FY18	FY19	
<b>Cost to AIDEA</b>							
AIDEA Receipts	-	-	-	-	-	-	
SETS Fund	-	-	-	-	-	-	
GF Cost	-	-	-	-	-	-	
Revenue to AIDEA	-	-	188	374	371	369	
AIDEA Receipts (Administrative fee added to bond interest rate)	-	-	188	374	371	369	
GF Revenue (Dividends to State - impact for FY 16 from FY 14 revenues)	-	-	-	-	94	187	
<b>Private Investment (\$70m for 9BCF plant—expansion will be fully funded by additional private investment)</b>							
	FY14	FY15	FY16	FY17	FY18	FY19	
	70,000	-	-	-	-	-	
<b>Summary</b>							
	FY14	FY15	FY16	FY17	FY18	FY19	FY14-FY19
<b>GF Cost</b>							
Capitalize SETS Fund (SETS Fund Capitalization Note)	125,000	-	-	-	-	-	125,000
Capital Appropriation for Equity Stake (AIDEA Note)	50,000	-	-	-	-	-	50,000
<b>AIDEA Cost</b>							
Direct Financing (AIDEA Note)	950	650	450	350	150	150	2,700
<b>AIDEA Revenue (AIDEA Note-analysis only)</b>							
AIDEA Receipts	1,400	1,400	1,588	1,774	1,771	1,769	9,701
SETS Fund	-	-	1,875	3,711	3,631	3,548	12,764
GF Revenue-Dividends to State (AIDEA Note)	-	-	225	375	1,506	2,567	4,674
<b>Fiscal Notes</b>							
	FY14	FY15	FY16	FY17	FY18	FY19	FY14-FY19
<b>AIDEA</b>							
Direct Financing (AIDEA Receipts)	950.0	650.0	450.0	350.0	150.0	150.0	2,700.0
GF Revenue-Dividends to State (GF)	-	-	225.0	375.0	1,506.3	2,567.3	4,673.5
<b>Capitalize SETS Fund (GF)</b>							
Capital Appropriation for Equity Stake (GF)	125,000.0	-	-	-	-	-	125,000.0
Capital Appropriation for Equity Stake (GF)	50,000.0	-	-	-	-	-	50,000.0
<b>Total Costs</b>	<b>175,950.0</b>	<b>650.0</b>	<b>450.0</b>	<b>350.0</b>	<b>150.0</b>	<b>150.0</b>	<b>177,700.0</b>
<b>Total GF Revenue Impact</b>	<b>-</b>	<b>-</b>	<b>225.0</b>	<b>375.0</b>	<b>1,506.3</b>	<b>2,567.3</b>	<b>4,673.5</b>

**CS FOR SENATE BILL NO. 23(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-EIGHTH LEGISLATURE - FIRST SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered:**

**Referred:**

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to development project financing by the Alaska Industrial**  
 2 **Development and Export Authority; relating to the dividends from the Alaska**  
 3 **Industrial Development and Export Authority; authorizing the Alaska Industrial**  
 4 **Development and Export Authority to provide financing and issue bonds for a liquefied**  
 5 **natural gas production system and natural gas distribution system; and providing for an**  
 6 **effective date."**

7 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

8 **\* Section 1.** AS 44.88.010(a) is amended to read:

9 (a) The legislature finds, determines, and declares that

10 (1) there exist areas of the state in which seasonal and nonseasonal  
11 unemployment exists;

12 (2) this unemployment is a serious menace to the health, safety, and  
13 general welfare, not only to the people in those areas, but also to the people of the

1 entire state;

2 (3) the state lacks the basic manufacturing, industrial, energy, export,  
3 small business, and business enterprises and the other facilities referred to in this  
4 subsection necessary to permit adequate development of its natural resources and the  
5 balanced growth of its economy;

6 (4) the establishment and expansion of industrial, manufacturing,  
7 energy, export, small business, and business enterprises in the state and the other  
8 facilities referred to in this subsection are essential to the development of the natural  
9 resources and the long-term economic growth of the state, and will directly and  
10 indirectly alleviate unemployment in the state;

11 (5) the expansion of export trade is vital to the health and growth of the  
12 state's economy;

13 (6) many state businesses could benefit from additional financial and  
14 technical assistance with respect to the exportation of their products and services;

15 (7) the Export-Import Bank of the United States has been mandated by  
16 the Export-Import Bank Act Amendments of 1983 to provide technical assistance and  
17 export financing support to small businesses in cooperation with state export finance  
18 agencies;

19 (8) Alaska-based exporters can be effectively assisted through the  
20 establishment, as part of the Alaska Industrial Development and Export Authority, of  
21 an export financing program designed to work with the Export-Import Bank of the  
22 United States and other federal, state, and private institutions;

23 (9) the achievement of the goal of full employment [,] and of  
24 establishment and continuing operation and development of industrial, manufacturing,  
25 energy, export, small business, and business enterprises in the state will be accelerated  
26 and facilitated by the creation of an instrumentality of the state with powers to incur  
27 debt, to own and operate facilities, and to make and insure loans to finance and to  
28 assist private lenders to make loans to finance the establishment, operation, and  
29 development of industrial, manufacturing, energy, export, small business, and business  
30 enterprises;

31 (10) it is in the public interest to promote the prosperity and general

1 welfare of all citizens of the state by

2 (A) stimulating commercial and industrial growth and  
3 expansion by encouraging an increase of private investment by banks,  
4 investment houses, insurance companies, and other financial institutions,  
5 including pension and retirement funds, to help satisfy the need for economic  
6 expansion;

7 (B) encouraging the production of raw materials and goods for  
8 export, the expansion of exports and raw materials and goods, and the  
9 rendering of services abroad by residents of the state through the establishment  
10 of a program that provides financial assistance in cooperation with federal,  
11 state, and private institutions for these purposes in the form provided in this  
12 chapter;

13 (C) creating the Alaska Industrial Development and Export  
14 Authority with the powers necessary to accomplish the objectives stated in this  
15 paragraph, including the power to issue taxable and tax-exempt bonds, [AND]  
16 to acquire ownership interests in projects, and to provide development  
17 project financing as provided in this chapter;

18 (11) it is in the state's interest to import private capital to create new  
19 economic activity that [WHICH] would not otherwise take place in the state.

20 \* **Sec. 2.** AS 44.88.070 is amended to read:

21 **Sec. 44.88.070. Purpose of the authority.** The purpose of the authority is to  
22 promote, develop, and advance the general prosperity and economic welfare of the  
23 people of the state [ALASKA], to relieve problems of unemployment, and to create  
24 additional employment by

25 (1) providing various means of financing and means of facilitating the  
26 financing, in cooperation with federal, state, and private institutions, of industrial,  
27 manufacturing, export, small business, and business enterprises and the other facilities  
28 referred to in AS 44.88.010(a) in the state;

29 (2) owning and operating or providing development project  
30 financing for the enterprises and other facilities described in AS 44.88.172;

31 (3) fostering the expansion of exports of [ALASKA] goods, services,

1 and raw materials of the state;

2 (4) cooperating and acting in conjunction with other organizations,  
3 public and private, the objects of which are the promotion and advancement of export  
4 trade activities in the state;

5 (5) establishing a source of funding credit guarantees and insurance,  
6 not otherwise available, to support export development;

7 (6) providing and cooperating or participating with federal, state, and  
8 private institutions to provide actual and potential state [ALASKA] exporters,  
9 particularly small- and medium-sized exporters, with financial assistance in support of  
10 export transactions.

11 \* **Sec. 3.** AS 44.88.080 is amended to read:

12 **Sec. 44.88.080. Powers of the authority.** In furtherance of its corporate  
13 purposes, the authority has the following powers in addition to its other powers:

14 (1) to sue and be sued;

15 (2) to have a seal and alter it at pleasure;

16 (3) to make and alter bylaws for its organization and internal  
17 management;

18 (4) to adopt regulations governing the exercise of its corporate powers;

19 (5) to acquire an interest in a project as necessary or appropriate to  
20 provide financing for the project, whether by purchase, gift, or lease;

21 (6) to lease to others a project acquired by it for the rentals and upon  
22 the terms and conditions the authority may consider advisable, including, without  
23 limitation, provisions for options to purchase or renew;

24 (7) to issue bonds and otherwise to incur indebtedness, in accordance  
25 with AS 44.88.090, in order to pay the cost of a project or development projects or in  
26 order to provide money for the authority's purposes under this chapter; the authority  
27 may also secure payment of the bonds or other indebtedness as provided in this  
28 chapter;

29 (8) to sell, by installment sale or otherwise, exchange, donate, convey,  
30 or encumber, in any manner by mortgage or by creation of any other security interest,  
31 real or personal property owned by it, or in which it has an interest, including a

1 project, when, in the judgment of the authority, the action is in furtherance of its  
2 corporate purposes;

3 (9) to accept gifts, grants, or loans from, and enter into contracts or  
4 other transactions regarding them [,] with, a federal agency, [OR] an agency or  
5 instrumentality of the state, a municipality, a private organization, or other source;

6 (10) to deposit or invest its funds, subject to agreements with  
7 bondholders;

8 (11) to enter into contracts or agreements with respect to the exercise  
9 of any of its powers, and do all things necessary or convenient to carry out its  
10 corporate purposes and exercise the powers granted in this chapter;

11 (12) to purchase or insure loans to finance the costs of manufacturing,  
12 industrial, and business enterprise projects;

13 (13) to enter into loan agreements with respect to one or more projects  
14 upon the terms and conditions the authority considers advisable;

15 (14) to acquire, manage, and operate projects as the authority considers  
16 necessary or appropriate to serve a public purpose;

17 (15) to assist private lenders to make loans to finance the costs of  
18 projects through loan commitments, short-term financing, or otherwise;

19 (16) to accept gifts, grants, or loans from a federal agency, from an  
20 agency or instrumentality of the state or of a municipality, or from any other source;

21 (17) to enter into contracts or other transactions with a federal agency,  
22 with an agency or instrumentality of the state or of a municipality, or with a private  
23 organization or other entity consistent with the exercise of any power under this  
24 chapter;

25 (18) to facilitate the expansion of a secondary market for the resale of  
26 federally or commercially insured loans made to finance the costs of projects in the  
27 state [ALASKA] held by federal and state chartered financial institutions or by the  
28 Alaska Commercial Fishing and Agriculture Bank;

29 (19) to charge fees or other forms of remuneration for the use or  
30 possession of the projects described in (14) of this section in accordance with the  
31 agreements described in (11) and (17) of this section, other agreements pertaining to

1 the projects, covenants, or representations made in bond documents pertaining to the  
2 projects, or regulations of the authority pertaining to the projects;

3 (20) to participate with government or private industry in programs for  
4 technical assistance, loans, technology, transfer, or other programs related to the  
5 exportation of [ALASKA] goods, services, or raw materials of the state with respect  
6 to its financing activities;

7 (21) to provide export finance training for office staff and other  
8 individuals involved in export finance assistance, including the training sessions that  
9 may be provided by the United States Export-Import Bank or other organizations;

10 (22) to coordinate to the maximum extent possible its efforts to  
11 promote the export of [ALASKA] goods, services, and raw materials of the state with  
12 programs and goals of the United States Export-Import Bank, the International Trade  
13 Administration of the United States Department of Commerce, the Foreign Credit  
14 Insurance Association, and other private and public programs designed to provide  
15 export assistance and export-related financing;

16 (23) to guarantee loans related to qualified export transactions under  
17 regulations adopted by the authority;

18 (24) to provide financing assistance, in cooperation with federal, state,  
19 and private institutions, as provided in this chapter for small business enterprises;

20 (25) to make cooperative agreements with the Department of  
21 Transportation and Public Facilities, acting on behalf of the international airports  
22 revenue fund established under AS 37.15.430, to acquire, equip, operate, maintain,  
23 construct, or install facilities that will enhance the competitiveness of the international  
24 airports, including a cooperative agreement to lend amounts from the international  
25 airports [AIRPORT] revenue fund to finance the development or improvement of  
26 utilities serving the airports;

27 (26) to screen potential applicants for a new business incentive grant  
28 and recommend the award of the grants under AS 45.81.020;

29 (27) to oversee the administration of outstanding grants awarded by the  
30 Alaska Science and Technology Foundation under former AS 37.17.010 - 37.17.110;

31 (28) to oversee the administration of outstanding BIDCO assistance

1 grants and loans made by the Alaska Science and Technology Foundation under  
2 former AS 37.17.200 - 37.17.390;

3 (29) to guarantee loans made to the Alaska Insurance Guaranty  
4 Association (AS 21.80.040), with these guarantees limited to loans necessary to make  
5 the association financially able to meet cash flow needs up to a maximum outstanding  
6 principal balance at any time of \$30,000,000;

7 (30) with legislative approval and notwithstanding AS 44.88.060, to  
8 purchase from the Alaska Energy Authority as an investment of the revolving fund,  
9 loans of the power project fund established under AS 42.45.010;

10 (31) to consider, when exercising the powers listed in this section, the  
11 interests of local governments impacted by the authority's activities to share in the  
12 benefits of these activities, with appropriate consideration of the authority's ability to  
13 meet debt obligations, issue new debt, and fulfill the authority's purposes;

14 **(32) to provide development project financing for all or a portion**  
15 **of the cost of a development project as provided in AS 44.88.172.**

16 \* Sec. 4. AS 44.88.088(a) is amended to read:

17 (a) The authority shall adopt a policy for payment of a dividend **from the**  
18 **revolving fund and a dividend from the Alaska Industrial Development and**  
19 **Export Authority sustainable energy transmission and supply development fund**  
20 **(AS 44.88.660)** to the state each fiscal year [. THE AMOUNT OF THE DIVIDEND  
21 FOR A FISCAL YEAR MAY NOT BE LESS THAN 25 PERCENT NOR MORE  
22 THAN 50 PERCENT OF THE NET INCOME OF THE AUTHORITY FOR THE  
23 BASE FISCAL YEAR. IN NO EVENT, HOWEVER, SHALL THE DIVIDEND FOR  
24 A FISCAL YEAR EXCEED THE TOTAL UNRESTRICTED NET INCOME OF  
25 THE AUTHORITY FOR THE BASE FISCAL YEAR]. The **dividends** [DIVIDEND]  
26 for a fiscal year shall be made available by the authority before the end of that fiscal  
27 year. The authority shall notify the commissioner of revenue when the **dividends**  
28 [DIVIDEND] for a fiscal year **are** [IS] available for appropriation. **The amount of the**  
29 **dividend payable from the**

30 **(1) revolving fund for a fiscal year may not be less than 25 percent**  
31 **nor more than 50 percent of the net income of the revolving fund for the base**

1 fiscal year; however, in no event, may the dividend payable from the revolving  
 2 fund for a fiscal year exceed the total unrestricted net income of the revolving  
 3 fund for the base year;

4 (2) Alaska Industrial Development and Export Authority  
 5 sustainable energy transmission and supply development fund (AS 44.88.660) for  
 6 a fiscal year may not be less than 25 percent nor more than 50 percent of the net  
 7 income of the Alaska Industrial Development and Export Authority sustainable  
 8 energy transmission and supply development fund for the base fiscal year;  
 9 however, in no event, shall the dividend payable from the Alaska Industrial  
 10 Development and Export Authority sustainable energy transmission and supply  
 11 development fund for a fiscal year exceed the total unrestricted net income of the  
 12 Alaska Industrial Development and Export Authority sustainable energy  
 13 transmission and supply development fund for the base year.

14 \* Sec. 5. AS 44.88.088(b)(2) is amended to read:

15 (2) "net income" means the [AUTHORITY'S] change in net position,  
 16 or the equivalent term under generally accepted accounting principles, of the  
 17 revolving fund or the change in net position of the Alaska Industrial  
 18 Development and Export Authority sustainable energy transmission and supply  
 19 development fund (AS 44.88.660) [ASSETS] as set out in the audited financial  
 20 statements of the authority for the base fiscal year, excluding amounts attributable to  
 21 intergovernmental transfers, capital contributions, grants, or impairment losses on  
 22 development projects financed under AS 44.88.172;

23 \* Sec. 6. AS 44.88.088(b)(3) is amended to read:

24 (3) "unrestricted net income" means the [AUTHORITY'S] unrestricted  
 25 change in net position, or the equivalent term under generally accepted  
 26 accounting principles, of the revolving fund or the Alaska Industrial  
 27 Development and Export Authority sustainable energy transmission and supply  
 28 development fund (AS 44.88.660) [ASSETS] as set out in the audited financial  
 29 statements of the authority for the base fiscal year, excluding amounts attributable to  
 30 intergovernmental transfers, capital contributions, grants, or impairment losses on  
 31 development projects financed under AS 44.88.172.

1 \* **Sec. 7.** AS 44.88.105(d) is amended to read:

2 (d) The **chair** [CHAIRMAN] of the authority shall annually, **not** [NO] later  
3 than January 2, certify in writing to the governor and the legislature the amount, if  
4 any, required to restore a capital reserve fund to the capital reserve fund requirement.  
5 The legislature may appropriate to the authority the amount certified by the **chair**  
6 [CHAIRMAN] of the authority. The authority shall deposit the amounts appropriated  
7 under this subsection during a fiscal year in the proper capital reserve fund. Nothing in  
8 this section creates a debt or liability of the state. In this subsection, "capital reserve  
9 fund" means a capital reserve fund that

10 (1) is created under this section on or before January 1, 1989;

11 (2) secures refunding bonds if the refunding bonds are issued to refund  
12 bonds that are secured by a capital reserve fund created under this section on or before  
13 January 1, 1989; [OR]

14 (3) secures bonds issued on or after August 11, 1993, for a power  
15 transmission intertie; **or**

16 **(4) secures bonds issued on or after July 1, 2013, for a qualified**  
17 **energy development project financed under AS 44.88.650 - 44.88.690.**

18 \* **Sec. 8.** AS 44.88.172(a) is amended to read:

19 (a) The economic development account is established in the revolving fund.  
20 The economic development account consists of money or assets appropriated, loaned,  
21 or transferred to the authority for deposit in the account and other money or assets  
22 deposited in the account by the authority. While money is on deposit in the economic  
23 development account, the money may be used [ONLY] to finance, acquire, manage,  
24 and operate development projects that the authority intends to own and operate **or to**  
25 **provide development project financing for development projects the authority**  
26 **does not intend to own and operate.** In this subsection,

27 (1) "operate" includes operation directly by the authority, by an agent  
28 of the authority, or by a person as determined under an agreement between the  
29 authority and other owners of the development project;

30 (2) "own" includes ownership by the authority of all or a percentage of  
31 a development project or all or a percentage of the shares of a corporation or

1 membership in a limited liability company for which the development project is the  
2 sole asset of the corporation or limited liability company.

3 \* **Sec. 9.** AS 44.88.172 is amended by adding a new subsection to read:

4 (d) The authority shall adopt regulations to implement this section. The  
5 regulations may include provisions for the application process, application fees,  
6 interest rates, other charges and fees, terms, conditions, security, and other  
7 requirements for development projects the authority undertakes or development  
8 project financing the authority provides.

9 \* **Sec. 10.** AS 44.88.900 is amended by adding a new paragraph to read:

10 (17) "development project financing" means money loaned by the  
11 authority or a guarantee of a loan, note, debt, or other financial obligation issued by  
12 the authority to fund or assist in funding a development project the authority does not  
13 intend to own and operate.

14 \* **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to  
15 read:

16 **LEGISLATIVE APPROVAL; FINANCING OF LIQUEFIED NATURAL GAS**  
17 **PRODUCTION AND DISTRIBUTION FACILITIES.** (a) The Alaska Industrial  
18 Development and Export Authority, through the Alaska Industrial Development and Export  
19 Authority sustainable energy transmission and supply fund (AS 44.88.660), may provide  
20 financing up to a principal amount of \$275,000,000 for the development, construction, and  
21 installation of, and the start-up costs of operation and maintenance for, a liquefied natural gas  
22 production plant and system and affiliated infrastructure on the North Slope and a natural gas  
23 distribution system and affiliated infrastructure in Interior Alaska.

24 (b) As a part of the financing authorized under (a) of this section, the Alaska  
25 Industrial Development and Export Authority may issue bonds under AS 44.88.090 that are  
26 secured by a capital reserve fund (AS 44.88.105). Notwithstanding AS 44.88.105, in  
27 establishing a capital reserve fund for the bonds, the authority is not required to determine that  
28 the capital reserve fund is necessary to enhance the marketability of the bonds. The authority  
29 shall manage the capital reserve fund as provided in AS 44.88.105. The principal amount of  
30 the bonds authorized in this section may not exceed \$150,000,000 plus the cost of capitalized  
31 interest, bond counsel fees, trustee fees, rating fees, financial advisor fees, escrow costs, and

1 other bond issuance costs that the authority considers reasonable and appropriate.

2 (c) Notwithstanding the interest rate requirements of AS 44.88.159, the interest rate  
3 the authority may charge for financing authorized under (a) of this section provided from the  
4 Alaska Industrial Development and Export Authority sustainable energy transmission and  
5 supply fund (AS 44.88.660) may not exceed three percent or the current market rate for  
6 commercial loans at the time the bonds are issued, whichever is less. Notwithstanding the  
7 interest rate requirements of AS 44.88.159, the interest rate for financing authorized under (a)  
8 of this section provided from the proceeds of bonds authorized under this section may not  
9 exceed the interest rate to be paid on the bonds, plus an allowance that the authority  
10 establishes for its administrative expenses; however, the allowance for administrative  
11 expenses may not exceed 25 basis points. Notwithstanding any contrary provision of law, the  
12 interest rate limitations of this subsection supersede and replace any other requirements of law  
13 regarding the interest rates that the authority may charge for the financing authorized under  
14 (a) of this section.

15 (d) The authorization under (a) of this section constitutes legislative approval for the  
16 authority to exceed the limitations of AS 44.88.690 in providing the financing approved under  
17 (a) of this section. In providing the financing authorized under (a) of this section, the authority  
18 may waive any limitations or requirements of its regulations that are otherwise applicable to  
19 the Alaska Industrial Development and Export Authority sustainable energy transmission and  
20 supply fund (AS 44.88.660).

21 (e) The bonds authorized by this section may not be considered in calculating the  
22 authority's bonding limitation for a 12-month period under AS 44.88.095(a).

23 (f) The authorization to issue bonds this section grants expires on June 30, 2018, if the  
24 authority does not issue bonds before that date. Expiration of the authorization to issue bonds  
25 does not affect bonds that the authority issues under this section before July 1, 2018.

26 (g) In this section,

27 (1) "authority" means the Alaska Industrial Development and Export  
28 Authority;

29 (2) "financing" means any method or combination of methods of providing  
30 funds for a qualified energy development project under AS 44.88.650 - 44.88.690.

31 \* **Sec. 12.** This Act takes effect immediately under AS 01.10.070(c).

ADOPTED  
2/28/13

28-GS1738\C  
Bailey  
2/26/13

**CS FOR SENATE BILL NO. 23(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-EIGHTH LEGISLATURE - FIRST SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered:**

**Referred:**

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to development project financing by the Alaska Industrial**  
2 **Development and Export Authority; relating to the dividends from the Alaska**  
3 **Industrial Development and Export Authority; authorizing the Alaska Industrial**  
4 **Development and Export Authority to provide financing and issue bonds for a liquefied**  
5 **natural gas production system and natural gas distribution system; and providing for an**  
6 **effective date."**

7 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

8 **\* Section 1.** AS 44.88.010(a) is amended to read:

9 (a) The legislature finds, determines, and declares that

10 (1) there exist areas of the state in which seasonal and nonseasonal  
11 unemployment exists;

12 (2) this unemployment is a serious menace to the health, safety, and  
13 general welfare, not only to the people in those areas, but also to the people of the

1 entire state;

2 (3) the state lacks the basic manufacturing, industrial, energy, export,  
3 small business, and business enterprises and the other facilities referred to in this  
4 subsection necessary to permit adequate development of its natural resources and the  
5 balanced growth of its economy;

6 (4) the establishment and expansion of industrial, manufacturing,  
7 energy, export, small business, and business enterprises in the state and the other  
8 facilities referred to in this subsection are essential to the development of the natural  
9 resources and the long-term economic growth of the state, and will directly and  
10 indirectly alleviate unemployment in the state;

11 (5) the expansion of export trade is vital to the health and growth of the  
12 state's economy;

13 (6) many state businesses could benefit from additional financial and  
14 technical assistance with respect to the exportation of their products and services;

15 (7) the Export-Import Bank of the United States has been mandated by  
16 the Export-Import Bank Act Amendments of 1983 to provide technical assistance and  
17 export financing support to small businesses in cooperation with state export finance  
18 agencies;

19 (8) Alaska-based exporters can be effectively assisted through the  
20 establishment, as part of the Alaska Industrial Development and Export Authority, of  
21 an export financing program designed to work with the Export-Import Bank of the  
22 United States and other federal, state, and private institutions;

23 (9) the achievement of the goal of full employment [,] and of  
24 establishment and continuing operation and development of industrial, manufacturing,  
25 energy, export, small business, and business enterprises in the state will be accelerated  
26 and facilitated by the creation of an instrumentality of the state with powers to incur  
27 debt, to own and operate facilities, and to make and insure loans to finance and to  
28 assist private lenders to make loans to finance the establishment, operation, and  
29 development of industrial, manufacturing, energy, export, small business, and business  
30 enterprises;

31 (10) it is in the public interest to promote the prosperity and general

1 welfare of all citizens of the state by

2 (A) stimulating commercial and industrial growth and  
3 expansion by encouraging an increase of private investment by banks,  
4 investment houses, insurance companies, and other financial institutions,  
5 including pension and retirement funds, to help satisfy the need for economic  
6 expansion;

7 (B) encouraging the production of raw materials and goods for  
8 export, the expansion of exports and raw materials and goods, and the  
9 rendering of services abroad by residents of the state through the establishment  
10 of a program that provides financial assistance in cooperation with federal,  
11 state, and private institutions for these purposes in the form provided in this  
12 chapter;

13 (C) creating the Alaska Industrial Development and Export  
14 Authority with the powers necessary to accomplish the objectives stated in this  
15 paragraph, including the power to issue taxable and tax-exempt bonds, [AND]  
16 to acquire ownership interests in projects, and to provide development  
17 project financing as provided in this chapter;

18 (11) it is in the state's interest to import private capital to create new  
19 economic activity that [WHICH] would not otherwise take place in the state.

20 \* **Sec. 2.** AS 44.88.070 is amended to read:

21 **Sec. 44.88.070. Purpose of the authority.** The purpose of the authority is to  
22 promote, develop, and advance the general prosperity and economic welfare of the  
23 people of the state [ALASKA], to relieve problems of unemployment, and to create  
24 additional employment by

25 (1) providing various means of financing and means of facilitating the  
26 financing, in cooperation with federal, state, and private institutions, of industrial,  
27 manufacturing, export, small business, and business enterprises and the other facilities  
28 referred to in AS 44.88.010(a) in the state;

29 (2) owning and operating or providing development project  
30 financing for the enterprises and other facilities described in AS 44.88.172;

31 (3) fostering the expansion of exports of [ALASKA] goods, services,

1 and raw materials of the state:

2 (4) cooperating and acting in conjunction with other organizations,  
3 public and private, the objects of which are the promotion and advancement of export  
4 trade activities in the state;

5 (5) establishing a source of funding credit guarantees and insurance,  
6 not otherwise available, to support export development;

7 (6) providing and cooperating or participating with federal, state, and  
8 private institutions to provide actual and potential state [ALASKA] exporters,  
9 particularly small- and medium-sized exporters, with financial assistance in support of  
10 export transactions.

11 \* **Sec. 3.** AS 44.88.080 is amended to read:

12 **Sec. 44.88.080. Powers of the authority.** In furtherance of its corporate  
13 purposes, the authority has the following powers in addition to its other powers:

14 (1) to sue and be sued;

15 (2) to have a seal and alter it at pleasure;

16 (3) to make and alter bylaws for its organization and internal  
17 management;

18 (4) to adopt regulations governing the exercise of its corporate powers;

19 (5) to acquire an interest in a project as necessary or appropriate to  
20 provide financing for the project, whether by purchase, gift, or lease;

21 (6) to lease to others a project acquired by it for the rentals and upon  
22 the terms and conditions the authority may consider advisable, including, without  
23 limitation, provisions for options to purchase or renew;

24 (7) to issue bonds and otherwise to incur indebtedness, in accordance  
25 with AS 44.88.090, in order to pay the cost of a project or development projects or in  
26 order to provide money for the authority's purposes under this chapter; the authority  
27 may also secure payment of the bonds or other indebtedness as provided in this  
28 chapter;

29 (8) to sell, by installment sale or otherwise, exchange, donate, convey,  
30 or encumber, in any manner by mortgage or by creation of any other security interest,  
31 real or personal property owned by it, or in which it has an interest, including a

1 project, when, in the judgment of the authority, the action is in furtherance of its  
2 corporate purposes;

3 (9) to accept gifts, grants, or loans from, and enter into contracts or  
4 other transactions regarding them [,] with, a federal agency, [OR] an agency or  
5 instrumentality of the state, a municipality, a private organization, or other source;

6 (10) to deposit or invest its funds, subject to agreements with  
7 bondholders;

8 (11) to enter into contracts or agreements with respect to the exercise  
9 of any of its powers, and do all things necessary or convenient to carry out its  
10 corporate purposes and exercise the powers granted in this chapter;

11 (12) to purchase or insure loans to finance the costs of manufacturing,  
12 industrial, and business enterprise projects;

13 (13) to enter into loan agreements with respect to one or more projects  
14 upon the terms and conditions the authority considers advisable;

15 (14) to acquire, manage, and operate projects as the authority considers  
16 necessary or appropriate to serve a public purpose;

17 (15) to assist private lenders to make loans to finance the costs of  
18 projects through loan commitments, short-term financing, or otherwise;

19 (16) to accept gifts, grants, or loans from a federal agency, from an  
20 agency or instrumentality of the state or of a municipality, or from any other source;

21 (17) to enter into contracts or other transactions with a federal agency,  
22 with an agency or instrumentality of the state or of a municipality, or with a private  
23 organization or other entity consistent with the exercise of any power under this  
24 chapter;

25 (18) to facilitate the expansion of a secondary market for the resale of  
26 federally or commercially insured loans made to finance the costs of projects in the  
27 state [ALASKA] held by federal and state chartered financial institutions or by the  
28 Alaska Commercial Fishing and Agriculture Bank;

29 (19) to charge fees or other forms of remuneration for the use or  
30 possession of the projects described in (14) of this section in accordance with the  
31 agreements described in (11) and (17) of this section, other agreements pertaining to

1 the projects, covenants, or representations made in bond documents pertaining to the  
2 projects, or regulations of the authority pertaining to the projects;

3 (20) to participate with government or private industry in programs for  
4 technical assistance, loans, technology, transfer, or other programs related to the  
5 exportation of [ALASKA] goods, services, or raw materials of the state with respect  
6 to its financing activities;

7 (21) to provide export finance training for office staff and other  
8 individuals involved in export finance assistance, including the training sessions that  
9 may be provided by the United States Export-Import Bank or other organizations;

10 (22) to coordinate to the maximum extent possible its efforts to  
11 promote the export of [ALASKA] goods, services, and raw materials of the state with  
12 programs and goals of the United States Export-Import Bank, the International Trade  
13 Administration of the United States Department of Commerce, the Foreign Credit  
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15 export assistance and export-related financing;

16 (23) to guarantee loans related to qualified export transactions under  
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19 and private institutions, as provided in this chapter for small business enterprises;

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21 Transportation and Public Facilities, acting on behalf of the international airports  
22 revenue fund established under AS 37.15.430, to acquire, equip, operate, maintain,  
23 construct, or install facilities that will enhance the competitiveness of the international  
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25 airports [AIRPORT] revenue fund to finance the development or improvement of  
26 utilities serving the airports;

27 (26) to screen potential applicants for a new business incentive grant  
28 and recommend the award of the grants under AS 45.81.020;

29 (27) to oversee the administration of outstanding grants awarded by the  
30 Alaska Science and Technology Foundation under former AS 37.17.010 - 37.17.110;

31 (28) to oversee the administration of outstanding BIDCO assistance

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3 (29) to guarantee loans made to the Alaska Insurance Guaranty  
4 Association (AS 21.80.040), with these guarantees limited to loans necessary to make  
5 the association financially able to meet cash flow needs up to a maximum outstanding  
6 principal balance at any time of \$30,000,000;

7 (30) with legislative approval and notwithstanding AS 44.88.060, to  
8 purchase from the Alaska Energy Authority as an investment of the revolving fund,  
9 loans of the power project fund established under AS 42.45.010;

10 (31) to consider, when exercising the powers listed in this section, the  
11 interests of local governments impacted by the authority's activities to share in the  
12 benefits of these activities, with appropriate consideration of the authority's ability to  
13 meet debt obligations, issue new debt, and fulfill the authority's purposes;

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20 **(AS 44.88.660)** to the state each fiscal year [. THE AMOUNT OF THE DIVIDEND  
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23 BASE FISCAL YEAR. IN NO EVENT, HOWEVER, SHALL THE DIVIDEND FOR  
24 A FISCAL YEAR EXCEED THE TOTAL UNRESTRICTED NET INCOME OF  
25 THE AUTHORITY FOR THE BASE FISCAL YEAR]. The **dividends** [DIVIDEND]  
26 for a fiscal year shall be made available by the authority before the end of that fiscal  
27 year. The authority shall notify the commissioner of revenue when the **dividends**  
28 [DIVIDEND] for a fiscal year **are** [IS] available for appropriation. **The amount of the**  
29 **dividend payable from the**

30 **(1) revolving fund for a fiscal year may not be less than 25 percent**  
31 **nor more than 50 percent of the net income of the revolving fund for the base**

1 fiscal year; however, in no event, may the dividend payable from the revolving  
2 fund for a fiscal year exceed the total unrestricted net income of the revolving  
3 fund for the base year;

4 (2) Alaska Industrial Development and Export Authority  
5 sustainable energy transmission and supply development fund (AS 44.88.660) for  
6 a fiscal year may not be less than 25 percent nor more than 50 percent of the net  
7 income of the Alaska Industrial Development and Export Authority sustainable  
8 energy transmission and supply development fund for the base fiscal year;  
9 however, in no event, shall the dividend payable from the Alaska Industrial  
10 Development and Export Authority sustainable energy transmission and supply  
11 development fund for a fiscal year exceed the total unrestricted net income of the  
12 Alaska Industrial Development and Export Authority sustainable energy  
13 transmission and supply development fund for the base year.

14 \* Sec. 5. AS 44.88.088(b)(2) is amended to read:

15 (2) "net income" means the [AUTHORITY'S] change in net position,  
16 or the equivalent term under generally accepted accounting principles, of the  
17 revolving fund or the change in net position of the Alaska Industrial  
18 Development and Export Authority sustainable energy transmission and supply  
19 development fund (AS 44.88.660) [ASSETS] as set out in the audited financial  
20 statements of the authority for the base fiscal year, excluding amounts attributable to  
21 intergovernmental transfers, capital contributions, grants, or impairment losses on  
22 development projects financed under AS 44.88.172;

23 \* Sec. 6. AS 44.88.088(b)(3) is amended to read:

24 (3) "unrestricted net income" means the [AUTHORITY'S] unrestricted  
25 change in net position, or the equivalent term under generally accepted  
26 accounting principles, of the revolving fund or the Alaska Industrial  
27 Development and Export Authority sustainable energy transmission and supply  
28 development fund (AS 44.88.660) [ASSETS] as set out in the audited financial  
29 statements of the authority for the base fiscal year, excluding amounts attributable to  
30 intergovernmental transfers, capital contributions, grants, or impairment losses on  
31 development projects financed under AS 44.88.172.

1 \* **Sec. 7.** AS 44.88.105(d) is amended to read:

2 (d) The **chair** [CHAIRMAN] of the authority shall annually, **not** [NO] later  
3 than January 2, certify in writing to the governor and the legislature the amount, if  
4 any, required to restore a capital reserve fund to the capital reserve fund requirement.  
5 The legislature may appropriate to the authority the amount certified by the **chair**  
6 [CHAIRMAN] of the authority. The authority shall deposit the amounts appropriated  
7 under this subsection during a fiscal year in the proper capital reserve fund. Nothing in  
8 this section creates a debt or liability of the state. In this subsection, "capital reserve  
9 fund" means a capital reserve fund that

10 (1) is created under this section on or before January 1, 1989;

11 (2) secures refunding bonds if the refunding bonds are issued to refund  
12 bonds that are secured by a capital reserve fund created under this section on or before  
13 January 1, 1989; [OR]

14 (3) secures bonds issued on or after August 11, 1993, for a power  
15 transmission intertie; or

16 (4) secures bonds issued on or after July 1, 2013, for a qualified  
17 energy development project financed under AS 44.88.650 - 44.88.690.

18 \* **Sec. 8.** AS 44.88.172(a) is amended to read:

19 (a) The economic development account is established in the revolving fund.  
20 The economic development account consists of money or assets appropriated, loaned,  
21 or transferred to the authority for deposit in the account and other money or assets  
22 deposited in the account by the authority. While money is on deposit in the economic  
23 development account, the money may be used [ONLY] to finance, acquire, manage,  
24 and operate development projects that the authority intends to own and operate or to  
25 provide development project financing for development projects the authority  
26 does not intend to own and operate. In this subsection,

27 (1) "operate" includes operation directly by the authority, by an agent  
28 of the authority, or by a person as determined under an agreement between the  
29 authority and other owners of the development project;

30 (2) "own" includes ownership by the authority of all or a percentage of  
31 a development project or all or a percentage of the shares of a corporation or

1 membership in a limited liability company for which the development project is the  
2 sole asset of the corporation or limited liability company.

3 \* **Sec. 9.** AS 44.88.172 is amended by adding a new subsection to read:

4 (d) The authority shall adopt regulations to implement this section. The  
5 regulations may include provisions for the application process, application fees,  
6 interest rates, other charges and fees, terms, conditions, security, and other  
7 requirements for development projects the authority undertakes or development  
8 project financing the authority provides.

9 \* **Sec. 10.** AS 44.88.900 is amended by adding a new paragraph to read:

10 (17) "development project financing" means money loaned by the  
11 authority or a guarantee of a loan, note, debt, or other financial obligation issued by  
12 the authority to fund or assist in funding a development project the authority does not  
13 intend to own and operate.

14 \* **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to  
15 read:

16 **LEGISLATIVE APPROVAL; FINANCING OF LIQUEFIED NATURAL GAS**  
17 **PRODUCTION AND DISTRIBUTION FACILITIES.** (a) The Alaska Industrial  
18 Development and Export Authority, through the Alaska Industrial Development and Export  
19 Authority sustainable energy transmission and supply fund (AS 44.88.660), may provide  
20 financing up to a principal amount of \$275,000,000 for the development, construction, and  
21 installation of, and the start-up costs of operation and maintenance for, a liquefied natural gas  
22 production plant and system and affiliated infrastructure on the North Slope and a natural gas  
23 distribution system and affiliated infrastructure in Interior Alaska.

24 (b) As a part of the financing authorized under (a) of this section, the Alaska  
25 Industrial Development and Export Authority may issue bonds under AS 44.88.090 that are  
26 secured by a capital reserve fund (AS 44.88.105). Notwithstanding AS 44.88.105, in  
27 establishing a capital reserve fund for the bonds, the authority is not required to determine that  
28 the capital reserve fund is necessary to enhance the marketability of the bonds. The authority  
29 shall manage the capital reserve fund as provided in AS 44.88.105. The principal amount of  
30 the bonds authorized in this section may not exceed \$150,000,000 plus the cost of capitalized  
31 interest, bond counsel fees, trustee fees, rating fees, financial advisor fees, escrow costs, and

1 other bond issuance costs that the authority considers reasonable and appropriate.

2 (c) Notwithstanding the interest rate requirements of AS 44.88.159, the interest rate  
3 the authority may charge for financing authorized under (a) of this section provided from the  
4 Alaska Industrial Development and Export Authority sustainable energy transmission and  
5 supply fund (AS 44.88.660) may not exceed three percent or the current market rate for  
6 commercial loans at the time the bonds are issued, whichever is less. Notwithstanding the  
7 interest rate requirements of AS 44.88.159, the interest rate for financing authorized under (a)  
8 of this section provided from the proceeds of bonds authorized under this section may not  
9 exceed the interest rate to be paid on the bonds, plus an allowance that the authority  
10 establishes for its administrative expenses; however, the allowance for administrative  
11 expenses may not exceed 25 basis points. Notwithstanding any contrary provision of law, the  
12 interest rate limitations of this subsection supersede and replace any other requirements of law  
13 regarding the interest rates that the authority may charge for the financing authorized under  
14 (a) of this section.

15 (d) The authorization under (a) of this section constitutes legislative approval for the  
16 authority to exceed the limitations of AS 44.88.690 in providing the financing approved under  
17 (a) of this section. In providing the financing authorized under (a) of this section, the authority  
18 may waive any limitations or requirements of its regulations that are otherwise applicable to  
19 the Alaska Industrial Development and Export Authority sustainable energy transmission and  
20 supply fund (AS 44.88.660).

21 (e) The bonds authorized by this section may not be considered in calculating the  
22 authority's bonding limitation for a 12-month period under AS 44.88.095(a).

23 (f) The authorization to issue bonds this section grants expires on June 30, 2018, if the  
24 authority does not issue bonds before that date. Expiration of the authorization to issue bonds  
25 does not affect bonds that the authority issues under this section before July 1, 2018.

26 (g) In this section,

27 (1) "authority" means the Alaska Industrial Development and Export  
28 Authority;

29 (2) "financing" means any method or combination of methods of providing  
30 funds for a qualified energy development project under AS 44.88.650 - 44.88.690.

31 \* **Sec. 12.** This Act takes effect immediately under AS 01.10.070(c).

<b>SB23 (AIDEA: LNG Projects; Dividends; Financing)</b>		
<b>Cost to the State versus Benefits to Customers</b>		
<b>Cash Cost to the State</b>		
Cash from GF		
Capital Appropriation	50,000,000	
Tax Credits	30,000,000	
SETS Loan Program	125,000,000	
<b>Total</b>	<b>205,000,000</b>	
Opportunity Cost (annual earnings if money were left in the treasury)	8,200,000	4% rate on GF investments
less revenue from AIDEA dividends to the State	(1,600,000)	
less petroleum tax revenue	?	
less corporate income tax revenue	?	
<b>Net Annual GF Cost</b>	<b>6,600,000</b>	
Because there are so many unknowns, the analysis omits secondary impacts like		
Power Cost Equalization Cost increases caused by a reduction in the base rate when gas is used for electricity generation		
Revenue from gas production and sale of royalty gas		
Revenue increase due to corporate income tax payments by private businesses involved in the project		
<b>Cash Benefits to Consumers</b>		
Annual savings per customer	3,000	
Number of customers	7,800	
<b>Total Consumer Benefits</b>	<b>23,400,000</b>	
<b>Benefit/Cost ratio</b>	<b>3.5</b>	
less cost of conversion loans	1,233	from below,
net savings per customer	1,767	
<b>Total Consumer Benefits</b>	<b>13,783,306</b>	
<b>Benefit/Cost ratio</b>	<b>2.1</b>	
<b>Residential Loans for Conversion to Gas</b>		
Customers	7,800	
% that need loans	50%	
Number of Conversion Loans	3,900	
Average loan amount	10,000	
Amount needed for loan fund	39,000,000	
Loan Interest Rate	4%	
Opportunity Cost	4%	
<b>Net Annual GF Cost</b>	-	
Annual Payment on Conversion Loan	1,233	10 term of loan
<b>Conclusions on conversion loans</b>		
little need to subsidize--savings on fuel bills exceed loan payments		
loan fund capitalization could be reduced if loans were made through financial institutions and /or loan demand was spread over more than a year or two		



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## **Rinnai**

Current Price for Rinnai Gas Heater as of March 2013

Model	Type	BTU	Price
EX08C	LP/NG	8,000	\$1,100
EX11C	LP/NG	11,000	\$1,545
EX17C	LP/NG	16,700	\$1,870
EX22C	LP/NG	21,000	\$2,075
ES38	LP/NG	38,000	\$2,440

Estimated cost for basic install: \$250 to \$300

A Certified Plumber is required to install and hook up the gas fuel line and connection.

# intelligent heating solutions.

When winter sets in there are certain rooms that get used less because of cold spots. But with the consistent and even heat provided by a Rinnai Wall Furnace, you can enjoy comfortable heat anywhere all winter long. Rinnai wall furnaces are efficient and easy to install. And the innovative cool-to-the-touch cabinet makes it safe for the whole family.



**MODELS ES08 / ES11**  
(ideal output for smaller areas)



**MODEL ES17 / EX17**  
(ideal output for mid-sized areas)



**MODEL ES22 / EX22**  
(ideal output for mid to larger-sized areas)



**MODEL ES38**  
(ideal output for larger areas)

## Up to 83% Efficient Stainless Steel Heat Exchanger

The Rinnai direct vent wall furnace's reputation lies in its ability to extract up to 84% AFUE efficiency through the use of a stainless steel heat exchanger, which adds many years of comfort. Just imagine, no heat loss from leaky ducts.

## Advanced Safety Features

- "Cool-to-the-touch" cabinet
- Sealed combustion - protects indoor air quality
- Flue block - furnace automatically shuts down
- Child safety lock
- Electronic ignition — no pilot light
- Wind tunnel tested venting systems
- Digital, adaptive control
- On board self-diagnostics for easier maintenance
- Earthquake-proof tilt-switch
- Each furnace passes a rigorous battery of factory tests to test efficiency and benefits.

## Innovative Modulating Gas Valve and Blower

- Modulating blower and gas valve automatically adjust to individual heating needs, providing comfortable consistent temperature from ceiling to floor.
- Furnace operates as quiet as a whisper

## Product Applications

Enjoy comfortable heat in any type of:

- Room Addition or Sunroom
- Multifamily Housing
- Basement Remodel
- Condo or Loft
- Cabin, Lake or Vacation Home
- Electric-to-Gas Conversion Project
- High altitude
- Manufactured housing



# Rinnai

## TRADITIONAL VS. RINNAI APPROACH TO HEATING

### The Traditional Approach

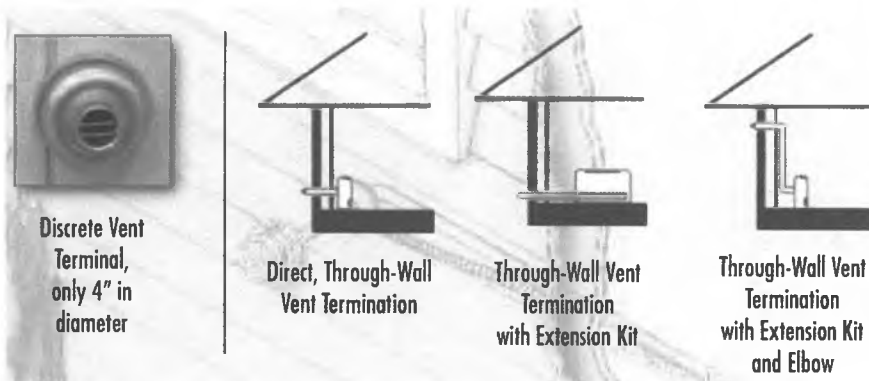
- High operating costs
- Large fluctuations in room temperature
- Slow response to thermostatically controlled heat settings
- Poor distribution of the heat provided

### The Rinnai Approach

- Energy-efficient and economical zone or whole-house heating
- Thermistor enables furnace to register and quickly adapt to small temperature changes
- Heat supplied only as needed; effectively circulated through living space



## Installation and Venting Examples



Discrete Vent Terminal, only 4" in diameter

Direct, Through-Wall Vent Termination

Through-Wall Vent Termination with Extension Kit

Through-Wall Vent Termination with Extension Kit and Elbow

For illustration only. Please reference the Owner's Manual for installation requirements.

### VENT TERMINATIONS

Part Number	Description
FOT-150	S Vent (3" - 4 1/2")
FOT-151	A Vent (4 1/2" - 9 1/2")
FOT-152	B Vent (9 1/2" - 15 3/4")
FOT-153	C Vent (15 3/4" - 23 5/8")
FOT-154	D Vent (23 5/8" - 31 1/2")

### Product Warranty

- 10 years on the heat exchanger
- 5 years on parts
- 2 years on labor

**NOTE:** Please visit local dealer showroom to view actual color representation of product. The ES38 & EX22 models are available in beige and white.



## HOW IT WORKS

### The Thermistor

- Designed to accurately monitor room temperature at 2" off the floor
- Capable of detecting temperature changes as little as half of a degree

### Rinnai Response

- Within 10 seconds, the Rinnai furnace begins to gently heat the room at low fan speed
- It increases fan speed and BTU output if necessary to achieve set temperature
- Once desired temperature is achieved, the unit shuts off and goes into stand-by mode

### Room Monitoring

- As the temperature of the room gradually drops, the wall furnace restarts and gradually warms the room back to the set temperature
- If there is a sudden injection of cold air, the unit automatically adjusts fan speed and BTUs to quickly restore the set temperature

# PRODUCT SPECIFICATIONS

Model Number	Gas Type	Input Range (BTU) (Low/High)	AFUE Rating	Fan CFM Output (Low / High)	Dimensions (W x H x D)	Wt. (lbs.)*
ES08 (RHFE-201-RFA) Beige only	NG	3,000 / 8,000	80.6%	48.3 / 78.6	16 3/4" x 26 5/8" x 9 7/8"	39
	LP		83.4%			
ES11 (RHFE-263-RFA) Beige only	NG	5,500 / 11,000	80.0%	96.4 / 128.5	16 3/4" x 26 5/8" x 9 7/8"	37
	LP					
ES17 (RHFE-433-RFA) Beige only	NG	8,200 / 16,700	81.0%	110.5 / 141.3	29 1/2" x 21 13/16" x 9 7/8"	53
	LP		80.0%			
EX17 (RHFE433RWTA) Beige only	NG	8,200 / 16,700	80.0%	110.5 / 141.3	29 1/2" x 21 13/16" x 9 7/8"	51
	LP		80.8%			
ES22 (RHFE-558-RFA) Beige only	NG	8,200 / 21,500	81.0%	110.5 / 162.7	29 1/2" x 21 13/16" x 9 7/8"	53
	LP		80.0%			
EX22 (RHFE-558-RWTA) Beige	NG	8,200 / 21,500	80.6%	110.5 / 162.7	29 1/2" x 21 13/16" x 9 7/8"	51
	LP		81.0%			
EX22W (RHFE558RWTA-W) White	NG	8,200 / 21,500	80.6%	110.5 / 162.7	29 1/2" x 21 13/16" x 9 7/8"	51
	LP		81.0%			
ES38 (RHFE-1004-RFA) Beige	NG	10,500 / 38,400	80.6%	110.5 / 162.7	36 5/8" x 26 3/8" x 13"	90
	LP		82.0%			
ES38W (RHFE1004RFA-W) White	NG	10,500 / 38,400	80.6%	110.5 / 162.7	36 5/8" x 26 3/8" x 13"	90
	LP		82.0%			

\* This specification is for shipping weight.

## ACCESSORIES

MODEL	EXTENSION KITS										COVER KITS							
	FOT-155	FOT-156	FOT-157	FOT-158	FOT-190	FOT-219	FOT-220	FOT-221	FOT-102	FOT-103	FOT-114	FOT-115	FOT-132	FOT-133	FOT-134	FOT-140	FOT-141	FOT-142
ES11	*	*	*	*	*											*	*	*
ES17 / EX17				*	*	*	*	*								*	*	*
ES22 / EX22				*	*	*	*	*								*	*	*
ES38									*	*	*	*	*	*	*	*	*	*

Rinnai is continually updating and improving products; therefore, specifications are subject to change without prior notice. Local, state, provincial and federal codes must be adhered to prior to and upon installation.

## FOR MORE INFORMATION ON RINNAI PRODUCTS

## ADDITIONAL RINNAI LITERATURE AVAILABLE

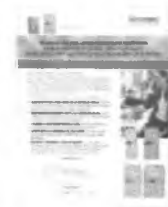
TANKLESS WATER HEATERS  
RESIDENTIAL APPLICATION



RINNAI INTELLIGENT  
FIREPLACES



RINNAI HYDRONIC  
AIR HANDLERS



### Rinnai America Corporation

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Peachtree City, GA 30269

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E-mail: [marketing@rinnai.us](mailto:marketing@rinnai.us)

# Rinnai





**GENERAL  
TEAMSTERS  
LOCAL 959  
STATE OF ALASKA**

*Affiliated with the International Brotherhood of Teamsters*  
Rick Boyles, Secretary-Treasurer  
520 E. 34th Ave., Suite 102, Anchorage, Alaska 99503  
Phone (907) 751-8501 • Fax (907) 751-8599

March 4, 2013

The Honorable Kurt Olson  
Representative  
Chair, Labor & Commerce  
Capitol Room 24  
Juneau, AK 99801

Re: HB 74 LNG Project Fairbanks

Dear Representative Olson:

On behalf of the Teamster members that we represent not only in the Fairbanks and outer area, but statewide, I ask that you and your committee members support and move forward HB 74, which authorizes AIDEA to provide financing and bonds for a much needed natural gas production and distribution system, within the Fairbanks North Star Borough. I personally have lived in Alaska for 38 years so I am familiar with the high cost and the limited availability of gas in interior Alaska.

I also am a member of the Fairbanks Chamber of Commerce and know well the challenged economic growth we continue to experience due in large part to the high cost of energy. I am also aware of the impact energy costs are having on our military bases in the interior. We represent members that could find themselves without employment as a direct result of the energy cost.

In addition to the above, the passage of HB 74 will create a much needed infrastructure and we believe, hundreds of jobs, directly and indirectly by bringing LNG to the Fairbanks community. While it may be only a temporary fix, it is a fix that is much needed for the second largest community in our state.

Help us help our community and the state by supporting and passing HB 74 from your committee.

Your time and effort regarding this very important matter is greatly appreciated.

Sincerely,

TEAMSTERS LOCAL 959

Rick Boyles  
Secretary-Treasurer

c: Representative Chenault, Representative Herron, Representative Millett,  
Representative Reinbold, Representative Saddler, Representative Josephson

RB:mk 030413 to Rep Olson HB 74 LNG Project Fairbanks



February 25, 2013

The Honorable Tammie Wilson  
House of Representatives  
Alaska State Capitol  
Juneau, Alaska 99801-1182

Dear Representative Wilson:

You have requested information regarding the investment Fairbanks Natural Gas would undertake in order to utilize LNG produced on the North Slope.

FNG is committed to contributing equity and utilizing cash flows from operations totaling approximately \$150 million over 10 years to build out its distribution system and associated pipeline capacity, and adding additional LNG storage tank capacity within the Fairbanks North Star Borough.

FNG's sister company, Polar LNG, will contribute approximately \$35 million within the next three years to develop the North Slope liquefaction facility and for the purchase of LNG trailers and trucks.

This use of FNG and Polar LNG capital, in combination with AIDEA financing, will allow FNG to significantly expand its reach and keep natural gas costs low for customers in the Fairbanks North Star Borough.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dan Britton', is written over a horizontal line.

Dan Britton, President



# City of Emmonak

P.O. Box 9, Emmonak, Alaska 99581  
(907) 949-1227 • (907) 949-1249 • Fax (907) 949-1926  
email: emkcity@*gmail.com*

February 22, 2013

The Honorable Kevin Meyer, Co-Chair  
The Honorable Pete Kelly, Co-Chair  
Members of the SFIN Committee  
Alaska State Capitol  
Juneau, AK 99801-1182

**RE: SB23 – LNG Production & Transportation & Port of Emmonak Project**

Greetings and Best Regards:

On behalf of the City of Emmonak, I wish to express support for your efforts to address the extreme cost of energy for Alaskan residents. SB23 offers an exciting opportunity to provide abundant natural gas reserves on the North Slope to Interior and rural Alaskans.

Especially of interest to residents in our region is the possibility that transported energy product could be routed by barge down the Yukon River to non-road connected river communities and Bering Sea coastal communities. We very much want to be included in this discussion and offer the following suggestion as you review SB23 and capital budgets this session.

To accommodate the steadily increasing vessel traffic at the Yukon River Delta region, a safe and efficient transshipment port facility is essential. The City of Emmonak has completed design & engineering studies for such a port. *The project is permitted and job ready!*

In 2012 (2<sup>nd</sup> Session of the 27<sup>th</sup> Legislature), Governor Parnell included \$10,000,000 for Phase I of the Port of Emmonak project in the original version of the general obligation transportation bill (HB286 - page 2, line 20). The project was designed such that it could be built in phases: Total Project = \$16,000,000 --- Phase I - \$10,000,000, Phase II \$6,000,000. The final version of the general obligation bond legislation *did* include the Emmonak Project, unfortunately for \$3,000,000 (Chapter 18, SLA 12, page 2, line 20) leaving the community short \$7,000,000 to complete Phase I.

As the legislature considers energy legislation such as SB23 to provide LNG to Interior Alaska, and coupled with Co-Chairman Meyers suggestion that the legislature consider 'completing projects already undertaken', we respectfully urge members to consider funding this particular port project thereby accomplishing fiscal control, energy distribution through enhanced transportation infrastructure and focusing limited funding on 'job-ready' projects.

Page 2 of 2 – Emmonak Port


Emmonak is the hub for the Lower Yukon region and is the home for the major salmon buying operations on the river. Port improvements are needed for the fishing industry. Fishing is the mainstay for our regional economy. Improvements to port facilities would greatly assist the industry by streamlining operations thereby reducing risk, cost and directly benefiting the local fishing fleet.


Building and civil contractors operating in the Lower Yukon delta region require safe port facilities for material, petroleum and gravel transfers. The current port is woefully inadequate yet this is all we have to offer them. Inefficient and inadequate facilities add risk and risk adds cost to projects.

Funding Phase I results in a win-win for urban and rural Alaska. If LNG and propane products are available along the Dalton Corridor, it's logical to extend that opportunity to downriver and coastal communities. In order to accomplish this vision, a safe and efficient port infrastructure will be essential at the mouth of the river. The Emmonak Port Project fits intricately into that mosaic and Alaskans win! We stand ready to work with you and appreciate all your public service.

Thank you most kindly and please call upon our offices for any additional information.

Sincerely,

  
Wilbur Hootch  
Mayor of Emmonak

  
Martin B. Moore  
Emmonak City Manager

cc: Governor Parnell  
Commissioner Pat Kemp, AK DOT  
Charlie Huggins, President Alaska State Senate  
Thomas Ostebo, Commander 17<sup>th</sup> District, USCG  
Luke Hopkins, Mayor North Star Borough  
Lisa Herbert, Fairbanks Chamber of Commerce  
Michael Foster, Design Engineer  
Lisa Murkowski, US Senate  
Mark Begich, US Senate  
Don Young, US House of Representatives

**SENATE BILL NO. 23**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 1/16/13

Referred: Labor and Commerce, Finance

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to development project financing by the Alaska Industrial  
2 Development and Export Authority; relating to the dividends from the Alaska  
3 Industrial and Export Authority; authorizing the Alaska Industrial Development and  
4 Export Authority to provide financing and issue bonds for a liquefied natural gas  
5 production system and natural gas distribution system; and providing for an effective  
6 date."

7 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

8 \* **Section 1.** AS 44.88.010(a) is amended to read:

9 (a) The legislature finds, determines, and declares that

10 (1) there exist areas of the state in which seasonal and nonseasonal  
11 unemployment exists;

12 (2) this unemployment is a serious menace to the health, safety, and  
13 general welfare, not only to the people in those areas, but also to the people of the

1 entire state;

2 (3) the state lacks the basic manufacturing, industrial, energy, export,  
3 small business, and business enterprises and the other facilities referred to in this  
4 subsection necessary to permit adequate development of its natural resources and the  
5 balanced growth of its economy;

6 (4) the establishment and expansion of industrial, manufacturing,  
7 energy, export, small business, and business enterprises in the state and the other  
8 facilities referred to in this subsection are essential to the development of the natural  
9 resources and the long-term economic growth of the state, and will directly and  
10 indirectly alleviate unemployment in the state;

11 (5) the expansion of export trade is vital to the health and growth of the  
12 state's economy;

13 (6) many state businesses could benefit from additional financial and  
14 technical assistance with respect to the exportation of their products and services;

15 (7) the Export-Import Bank of the United States has been mandated by  
16 the Export-Import Bank Act Amendments of 1983 to provide technical assistance and  
17 export financing support to small businesses in cooperation with state export finance  
18 agencies;

19 (8) Alaska-based exporters can be effectively assisted through the  
20 establishment, as part of the Alaska Industrial Development and Export Authority, of  
21 an export financing program designed to work with the Export-Import Bank of the  
22 United States and other federal, state, and private institutions;

23 (9) the achievement of the goal of full employment, and of  
24 establishment and continuing operation and development of industrial, manufacturing,  
25 energy, export, small business, and business enterprises in the state will be accelerated  
26 and facilitated by the creation of an instrumentality of the state with powers to incur  
27 debt, to own and operate facilities, to make and insure loans to finance and to assist  
28 private lenders to make loans to finance the establishment, operation, and development  
29 of industrial, manufacturing, energy, export, small business, and business enterprises;

30 (10) it is in the public interest to promote the prosperity and general  
31 welfare of all citizens of the state by

1 (A) stimulating commercial and industrial growth and  
 2 expansion by encouraging an increase of private investment by banks,  
 3 investment houses, insurance companies, and other financial institutions,  
 4 including pension and retirement funds, to help satisfy the need for economic  
 5 expansion;

6 (B) encouraging the production of raw materials and goods for  
 7 export, the expansion of exports and raw materials and goods, and the  
 8 rendering of services abroad by residents of the state through the establishment  
 9 of a program that provides financial assistance in cooperation with federal,  
 10 state, and private institutions for these purposes in the form provided in this  
 11 chapter;

12 (C) creating the Alaska Industrial Development and Export  
 13 Authority with the powers necessary to accomplish the objectives stated in this  
 14 paragraph, including the power to issue taxable and tax-exempt bonds, [AND  
 15 TO] acquire ownership interests in projects, and provide development  
 16 project financing as provided in this chapter;

17 (11) it is in the state's interest to import private capital to create new  
 18 economic activity which would not otherwise take place in the state.

19 \* **Sec. 2.** AS 44.88.070 is amended to read:

20 **Sec. 44.88.070. Purpose of the authority.** The purpose of the authority is to  
 21 promote, develop, and advance the general prosperity and economic welfare of the  
 22 people of the state [ALASKA], to relieve problems of unemployment, and to create  
 23 additional employment by

24 (1) providing various means of financing and means of facilitating the  
 25 financing, in cooperation with federal, state, and private institutions, of industrial,  
 26 manufacturing, export, small business, and business enterprises and the other facilities  
 27 referred to in AS 44.88.010(a) in the state;

28 (2) owning and operating or providing development project  
 29 financing for the enterprises and other facilities described in AS 44.88.172;

30 (3) fostering the expansion of exports of [ALASKA] goods, services,  
 31 and raw materials of the state;

1 (4) cooperating and acting in conjunction with other organizations,  
2 public and private, the objects of which are the promotion and advancement of export  
3 trade activities in the state;

4 (5) establishing a source of funding credit guarantees and insurance,  
5 not otherwise available, to support export development;

6 (6) providing and cooperating or participating with federal, state, and  
7 private institutions to provide actual and potential state [ALASKA] exporters,  
8 particularly small- and medium-sized exporters, with financial assistance in support of  
9 export transactions.

10 \* **Sec. 3.** AS 44.88.080 is amended to read:

11 **Sec. 44.88.080. Powers of the authority.** In furtherance of its corporate  
12 purposes, the authority has the following powers in addition to its other powers:

13 (1) to sue and be sued;

14 (2) to have a seal and alter it at pleasure;

15 (3) to make and alter bylaws for its organization and internal  
16 management;

17 (4) to adopt regulations governing the exercise of its corporate powers;

18 (5) to acquire an interest in a project as necessary or appropriate to  
19 provide financing for the project, whether by purchase, gift, or lease;

20 (6) to lease to others a project acquired by it for the rentals and upon  
21 the terms and conditions the authority may consider advisable, including, without  
22 limitation, provisions for options to purchase or renew;

23 (7) to issue bonds and otherwise to incur indebtedness, in accordance  
24 with AS 44.88.090, in order to pay the cost of a project or development projects or in  
25 order to provide money for the authority's purposes under this chapter; the authority  
26 may also secure payment of the bonds or other indebtedness as provided in this  
27 chapter;

28 (8) to sell, by installment sale or otherwise, exchange, donate, convey,  
29 or encumber in any manner by mortgage or by creation of any other security interest,  
30 real or personal property owned by it, or in which it has an interest, including a  
31 project, when, in the judgment of the authority, the action is in furtherance of its

1 corporate purposes;

2 (9) to accept gifts, grants, or loans from, and enter into contracts or  
3 other transactions regarding them, with a federal agency or an agency or  
4 instrumentality of the state, a municipality, private organization, or other source;

5 (10) to deposit or invest its funds, subject to agreements with  
6 bondholders;

7 (11) to enter into contracts or agreements with respect to the exercise  
8 of any of its powers, and do all things necessary or convenient to carry out its  
9 corporate purposes and exercise the powers granted in this chapter;

10 (12) to purchase or insure loans to finance the costs of manufacturing,  
11 industrial, and business enterprise projects;

12 (13) to enter into loan agreements with respect to one or more projects  
13 upon the terms and conditions the authority considers advisable;

14 (14) to acquire, manage, and operate projects as the authority considers  
15 necessary or appropriate to serve a public purpose;

16 (15) to assist private lenders to make loans to finance the costs of  
17 projects through loan commitments, short-term financing, or otherwise;

18 (16) to accept gifts, grants, or loans from a federal agency, from an  
19 agency or instrumentality of the state or of a municipality, or from any other source;

20 (17) to enter into contracts or other transactions with a federal agency,  
21 with an agency or instrumentality of the state or of a municipality, or with a private  
22 organization or other entity consistent with the exercise of any power under this  
23 chapter;

24 (18) to facilitate the expansion of a secondary market for the resale of  
25 federally or commercially insured loans made to finance the costs of projects in the  
26 state [ALASKA] held by federal and state chartered financial institutions or by the  
27 Alaska Commercial Fishing and Agriculture Bank;

28 (19) to charge fees or other forms of remuneration for the use or  
29 possession of the projects described in (14) of this section in accordance with the  
30 agreements described in (11) and (17) of this section, other agreements pertaining to  
31 the projects, covenants, or representations made in bond documents pertaining to the

1 projects, or regulations of the authority pertaining to the projects;

2 (20) to participate with government or private industry in programs for  
3 technical assistance, loans, technology, transfer, or other programs related to the  
4 exportation of [ALASKA] goods, services, or raw materials of the state with respect  
5 to its financing activities;

6 (21) to provide export finance training for office staff and other  
7 individuals involved in export finance assistance, including the training sessions that  
8 may be provided by the United States Export-Import Bank or other organizations;

9 (22) to coordinate to the maximum extent possible its efforts to  
10 promote the export of [ALASKA] goods, services, and raw materials of the state with  
11 programs and goals of the United States Export-Import Bank, the International Trade  
12 Administration of the United States Department of Commerce, the Foreign Credit  
13 Insurance Association, and other private and public programs designed to provide  
14 export assistance and export-related financing;

15 (23) to guarantee loans related to qualified export transactions under  
16 regulations adopted by the authority;

17 (24) to provide financing assistance, in cooperation with federal, state,  
18 and private institutions, as provided in this chapter for small business enterprises;

19 (25) to make cooperative agreements with the Department of  
20 Transportation and Public Facilities, acting on behalf of the international airports  
21 revenue fund established under AS 37.15.430, to acquire, equip, operate, maintain,  
22 construct, or install facilities that will enhance the competitiveness of the international  
23 airports, including a cooperative agreement to lend amounts from the international  
24 airport revenue fund to finance the development or improvement of utilities serving  
25 the airports;

26 (26) to screen potential applicants for a new business incentive grant  
27 and recommend the award of the grants under AS 45.81.020;

28 (27) to oversee the administration of outstanding grants awarded by the  
29 Alaska Science and Technology Foundation under former AS 37.17.010 - 37.17.110;

30 (28) to oversee the administration of outstanding BIDCO assistance  
31 grants and loans made by the Alaska Science and Technology Foundation under

1 former AS 37.17.200 - 37.17.390;

2 (29) to guarantee loans made to the Alaska Insurance Guaranty  
3 Association (AS 21.80.040), with these guarantees limited to loans necessary to make  
4 the association financially able to meet cash flow needs up to a maximum outstanding  
5 principal balance at any time of \$30,000,000;

6 (30) with legislative approval and notwithstanding AS 44.88.060, to  
7 purchase from the Alaska Energy Authority as an investment of the revolving fund,  
8 loans of the power project fund established under AS 42.45.010;

9 (31) to consider, when exercising the powers listed in this section, the  
10 interests of local governments impacted by the authority's activities to share in the  
11 benefits of these activities, with appropriate consideration of the authority's ability to  
12 meet debt obligations, issue new debt, and fulfill the authority's purposes;

13 **(32) to provide development project financing for all or a portion**  
14 **of the cost of a development project as provided in AS 44.88.172.**

15 \* Sec. 4. AS 44.88.088(a) is amended to read:

16 (a) The authority shall adopt a policy for payment of **dividends** [A  
17 DIVIDEND] to the state each fiscal year **from the revolving fund and from the**  
18 **sustainable energy transmission and supply development fund.** [THE AMOUNT  
19 OF THE DIVIDEND FOR A FISCAL YEAR MAY NOT BE LESS THAN 25  
20 PERCENT NOR MORE THAN 50 PERCENT OF THE NET INCOME OF THE  
21 AUTHORITY FOR THE BASE FISCAL YEAR. IN NO EVENT, HOWEVER,  
22 SHALL THE DIVIDEND FOR A FISCAL YEAR EXCEED THE TOTAL  
23 UNRESTRICTED NET INCOME OF THE AUTHORITY FOR THE BASE FISCAL  
24 YEAR.] The **dividends** [DIVIDEND] for a fiscal year shall be made available by the  
25 authority before the end of that fiscal year. The authority shall notify the  
26 commissioner of revenue when the **dividends** [DIVIDEND] for a fiscal year **are** [IS]  
27 available for appropriation. **The amount of the dividend payable from the**

28 **(1) revolving fund of the authority for a fiscal year may not be less**  
29 **than 25 percent nor more than 50 percent of the net income of the revolving fund**  
30 **for the base fiscal year; however, in no event, shall the dividend payable from the**  
31 **revolving fund for a fiscal year exceed the total unrestricted net income of the**

1 revolving fund for the base year;

2 (2) sustainable energy transmission and supply development fund  
 3 of the authority for a fiscal year may not be less than 25 percent nor more than  
 4 50 percent of the net income of the sustainable energy transmission and supply  
 5 development fund for the base fiscal year; however, in no event, shall the  
 6 dividend payable from the sustainable energy transmission and supply  
 7 development fund for a fiscal year exceed the total unrestricted net income of the  
 8 sustainable energy transmission and supply development fund for the base year.

9 \* Sec. 5. AS 44.88.088(b) is amended to read:

10 (b) In this section,

11 (1) "base fiscal year" means the fiscal year ending two years before the  
 12 end of the fiscal year in which the payment is made;

13 (2) "net income" means the [AUTHORITY'S] change in net position,  
 14 or the equivalent term under generally accepted accounting principles, of the  
 15 revolving fund or the change in net position of the sustainable energy  
 16 transmission and supply development fund [ASSETS] as set out in the audited  
 17 financial statements of the authority for the base fiscal year, excluding amounts  
 18 attributable to intergovernmental transfers, capital contributions, grants, or impairment  
 19 losses on development projects financed under AS 44.88.172;

20 (3) "unrestricted net income" means the [AUTHORITY'S] unrestricted  
 21 change in net position, or the equivalent term under generally accepted  
 22 accounting principles, of the revolving fund or the sustainable energy  
 23 transmission and supply development fund [ASSETS] as set out in the audited  
 24 financial statements of the authority for the base fiscal year, excluding amounts  
 25 attributable to intergovernmental transfers, capital contributions, grants, or impairment  
 26 losses on development projects financed under AS 44.88.172.

27 \* Sec. 6. AS 44.88.105(d) is amended to read:

28 (d) The chairman of the authority shall annually, not [NO] later than  
 29 January 2, certify in writing to the governor and the legislature the amount, if any,  
 30 required to restore a capital reserve fund to the capital reserve fund requirement. The  
 31 legislature may appropriate to the authority the amount certified by the chairman of

1 the authority. The authority shall deposit the amounts appropriated under this  
 2 subsection during a fiscal year in the proper capital reserve fund. Nothing in this  
 3 section creates a debt or liability of the state. In this subsection, "capital reserve fund"  
 4 means a capital reserve fund that

5 (1) is created under this section on or before January 1, 1989;

6 (2) secures refunding bonds if the refunding bonds are issued to refund  
 7 bonds that are secured by a capital reserve fund created under this section on or before  
 8 January 1, 1989; [OR]

9 (3) secures bonds issued on or after August 11, 1993, for a power  
 10 transmission intertie; or

11 **(4) secures bonds issued on or after July 1, 2013, for a qualified**  
 12 **energy development the authority finances under AS 44.88.650 - 44.88.690.**

13 \* Sec. 7. AS 44.88.172(a) is amended to read:

14 (a) The economic development account is established in the revolving fund.  
 15 The economic development account consists of money or assets appropriated, loaned,  
 16 or transferred to the authority for deposit in the account and other money or assets  
 17 deposited in the account by the authority. While money is on deposit in the economic  
 18 development account, the money may be used [ONLY] to finance, acquire, manage,  
 19 and operate development projects that the authority intends to own and operate or to  
 20 **provide development project financing for development projects the authority**  
 21 **does not intend to own and operate.** In this subsection,

22 (1) "operate" includes operation directly by the authority, by an agent  
 23 of the authority, or by a person as determined under an agreement between the  
 24 authority and other owners of the development project;

25 (2) "own" includes ownership by the authority of all or a percentage of  
 26 a development project; or all or a percentage of the shares of a corporation or  
 27 membership in a limited liability company for which the development project is the  
 28 sole asset of the corporation or limited liability company.

29 \* Sec. 8. AS 44.88.172 is amended by adding a new subsection to read:

30 (d) The authority shall adopt regulations to implement this section. The  
 31 regulations may include provisions on the application process, application fees,

1 interest rates, other charges and fees, terms, conditions, security, and other  
2 requirements for development projects the authority undertakes or development  
3 project financing the authority provides.

4 \* **Sec. 9.** AS 44.88.900 is amended by adding a new paragraph to read:

5 (17) "development project financing" means the authority making a  
6 direct loan or issuing a guarantee of a loan, note, debt, or other financial obligation to  
7 fund or assist in funding a development project the authority does not intend to own  
8 and operate.

9 \* **Sec. 10.** The uncodified law of the State of Alaska is amended by adding a new section to  
10 read:

11 **LEGISLATIVE APPROVAL; FINANCING OF LIQUIFIED NATURAL GAS**  
12 **PRODUCTION AND DISTRIBUTION FACILITIES.** (a) The Alaska Industrial  
13 Development and Export Authority, through the sustainable energy transmission and supply  
14 fund established in AS 44.88.660, may provide financing up to a maximum principal amount  
15 of \$275,000,000 for the development, construction, and installation of, and the start-up costs  
16 of operation and maintenance for, a liquefied natural gas production plant, system, and  
17 affiliated infrastructure on the North Slope and a natural gas distribution system and affiliated  
18 infrastructure within the Fairbanks North Star Borough.

19 (b) As a part of the financing authorized in (a) of this section, the Alaska Industrial  
20 Development and Export Authority may issue bonds under AS 44.88.090 that are secured by  
21 a capital reserve fund established under AS 44.88.105. Notwithstanding AS 44.88.105, in  
22 establishing a capital reserve fund for the bonds, the authority is not required to determine that  
23 the capital reserve fund is necessary to enhance the marketability of the bonds. The capital  
24 reserve fund shall be managed by the authority as provided in AS 44.88.105. The principal  
25 amount of the bonds authorized in this section may not exceed \$150,000,000 plus the cost of  
26 capitalized interest, bond counsel fees, trustee fees, rating fees, financial advisor fees, escrow  
27 costs, and other bond issuance costs that are deemed reasonable and appropriate by the  
28 authority.

29 (c) Notwithstanding the interest rate requirements of AS 44.88.159, the interest rate  
30 the authority may charge for any financing authorized in (a) of this section that is provided  
31 from money of the sustainable energy transmission and supply fund may not exceed three

1 percent or the current market rate for commercial loans at time of issuance of the bonds,  
 2 whichever is less. Notwithstanding the interest rate requirements of AS 44.88.159, the interest  
 3 rate that the authority may charge for any financing authorized in (a) of this section that is  
 4 provided from the proceeds of bonds authorized under this section may not exceed the interest  
 5 rate to be paid on the bonds, plus an allowance that the authority shall establish for its  
 6 administrative expenses; however, the allowance for administrative expenses may not exceed  
 7 25 basis points. Notwithstanding any contrary provision of law, the interest rate limitations of  
 8 this subsection supersede and replace any other requirements of law regarding the interest  
 9 rates that the authority may charge for the financing authorized in (a) of this section.

10 (d) The authorization of (a) of this section constitutes legislative approval for the  
 11 authority exceeding the limitations of AS 44.88.690 in providing the financing approved in (a)  
 12 of this section. In providing the financing authorized under (a) of this section, the authority  
 13 may waive any limitations or requirements of its regulations that are otherwise applicable to  
 14 the sustainable energy transmission and supply fund.

15 (e) The bonds authorized by this section may not be considered in calculating the  
 16 authority's bonding limitation for a 12-month period under AS 44.88.095(a).

17 (f) The authorization to issue bonds this section grants expires as of June 30, 2018, if  
 18 not utilized by the issuance of bonds before that date. Expiration of the authorization to issue  
 19 bonds does not affect bonds that the authority issues under this section prior to July 1, 2018.

20 (g) In this section,

21 (1) "authority" means the Alaska Industrial Development and Export  
 22 Authority;

23 (2) "financing" means any method of providing funds for a qualified energy  
 24 development under AS 44.88.650 - 44.88.690 or any combination of the methods of providing  
 25 funds for a qualified energy development under AS 44.88.650 - 44.88.690.

26 \* **Sec. 11.** This Act takes effect immediately under AS 01.10.070(c).

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

February 26, 2013

**SUBJECT:** AIDEA financing for liquefied natural gas production system and distribution system; editing changes - CSSB 23(FIN)  
(Work Order No. 28-GS1738\C)

**TO:** Senator Kevin Meyer  
Attn: Christine Marasigan

**FROM:** Dennis C. Bailey *DCB*  
Legislative Counsel

This memo accompanies a draft of CSSB 23(FIN). The draft includes a number of editorial changes to CSSB 23(L&C), which are not intended to be substantive. Legal Services did not have an opportunity to edit the initial governor's version of SB 23 before it was passed out of the Senate Labor and Commerce Committee. Thank you for the opportunity to edit the bill before it is considered by the Senate Finance Committee.

In order to facilitate your review of the changes, I have included a document comparing CSSB 23(L&C) with the draft CSSB 23(FIN) that shows the changes.

If I may be of further assistance, please advise.

DCB:lnd  
13-117.lnd

Enclosures

**CS FOR SENATE BILL NO. 23(L&C)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-EIGHTH LEGISLATURE - FIRST SESSION**

**BY THE SENATE LABOR AND COMMERCE COMMITTEE**

**Offered: 2/25/13**  
**Referred: Finance**

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**  
**FOR AN ACT ENTITLED**

1 **"An Act relating to development project financing by the Alaska Industrial**  
2 **Development and Export Authority; relating to the dividends from the Alaska**  
3 **Industrial and Export Authority; authorizing the Alaska Industrial Development and**  
4 **Export Authority to provide financing and issue bonds for a liquefied natural gas**  
5 **production system and natural gas distribution system; and providing for an effective**  
6 **date."**

7 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

8 **\* Section 1.** AS 44.88.010(a) is amended to read:

9 (a) The legislature finds, determines, and declares that

10 (1) there exist areas of the state in which seasonal and nonseasonal  
11 unemployment exists;

12 (2) this unemployment is a serious menace to the health, safety, and  
13 general welfare, not only to the people in those areas, but also to the people of the

1 entire state;

2 (3) the state lacks the basic manufacturing, industrial, energy, export,  
3 small business, and business enterprises and the other facilities referred to in this  
4 subsection necessary to permit adequate development of its natural resources and the  
5 balanced growth of its economy;

6 (4) the establishment and expansion of industrial, manufacturing,  
7 energy, export, small business, and business enterprises in the state and the other  
8 facilities referred to in this subsection are essential to the development of the natural  
9 resources and the long-term economic growth of the state, and will directly and  
10 indirectly alleviate unemployment in the state;

11 (5) the expansion of export trade is vital to the health and growth of the  
12 state's economy;

13 (6) many state businesses could benefit from additional financial and  
14 technical assistance with respect to the exportation of their products and services;

15 (7) the Export-Import Bank of the United States has been mandated by  
16 the Export-Import Bank Act Amendments of 1983 to provide technical assistance and  
17 export financing support to small businesses in cooperation with state export finance  
18 agencies;

19 (8) Alaska-based exporters can be effectively assisted through the  
20 establishment, as part of the Alaska Industrial Development and Export Authority, of  
21 an export financing program designed to work with the Export-Import Bank of the  
22 United States and other federal, state, and private institutions;

23 (9) the achievement of the goal of full employment, and of  
24 establishment and continuing operation and development of industrial, manufacturing,  
25 energy, export, small business, and business enterprises in the state will be accelerated  
26 and facilitated by the creation of an instrumentality of the state with powers to incur  
27 debt, to own and operate facilities, to make and insure loans to finance and to assist  
28 private lenders to make loans to finance the establishment, operation, and development  
29 of industrial, manufacturing, energy, export, small business, and business enterprises;

30 (10) it is in the public interest to promote the prosperity and general  
31 welfare of all citizens of the state by

1 (A) stimulating commercial and industrial growth and  
 2 expansion by encouraging an increase of private investment by banks,  
 3 investment houses, insurance companies, and other financial institutions,  
 4 including pension and retirement funds, to help satisfy the need for economic  
 5 expansion;

6 (B) encouraging the production of raw materials and goods for  
 7 export, the expansion of exports and raw materials and goods, and the  
 8 rendering of services abroad by residents of the state through the establishment  
 9 of a program that provides financial assistance in cooperation with federal,  
 10 state, and private institutions for these purposes in the form provided in this  
 11 chapter;

12 (C) creating the Alaska Industrial Development and Export  
 13 Authority with the powers necessary to accomplish the objectives stated in this  
 14 paragraph, including the power to issue taxable and tax-exempt bonds, [AND  
 15 TO] acquire ownership interests in projects, and provide development  
 16 project financing as provided in this chapter;

17 (11) it is in the state's interest to import private capital to create new  
 18 economic activity which would not otherwise take place in the state.

19 \* Sec. 2. AS 44.88.070 is amended to read:

20 **Sec. 44.88.070. Purpose of the authority.** The purpose of the authority is to  
 21 promote, develop, and advance the general prosperity and economic welfare of the  
 22 people of the state [ALASKA], to relieve problems of unemployment, and to create  
 23 additional employment by

24 (1) providing various means of financing and means of facilitating the  
 25 financing, in cooperation with federal, state, and private institutions, of industrial,  
 26 manufacturing, export, small business, and business enterprises and the other facilities  
 27 referred to in AS 44.88.010(a) in the state;

28 (2) owning and operating or providing development project  
 29 financing for the enterprises and other facilities described in AS 44.88.172;

30 (3) fostering the expansion of exports of [ALASKA] goods, services,  
 31 and raw materials of the state;

1 (4) cooperating and acting in conjunction with other organizations,  
2 public and private, the objects of which are the promotion and advancement of export  
3 trade activities in the state;

4 (5) establishing a source of funding credit guarantees and insurance,  
5 not otherwise available, to support export development;

6 (6) providing and cooperating or participating with federal, state, and  
7 private institutions to provide actual and potential state [ALASKA] exporters,  
8 particularly small- and medium-sized exporters, with financial assistance in support of  
9 export transactions.

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11 **Sec. 44.88.080. Powers of the authority.** In furtherance of its corporate  
12 purposes, the authority has the following powers in addition to its other powers:

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14 (2) to have a seal and alter it at pleasure;

15 (3) to make and alter bylaws for its organization and internal  
16 management;

17 (4) to adopt regulations governing the exercise of its corporate powers;

18 (5) to acquire an interest in a project as necessary or appropriate to  
19 provide financing for the project, whether by purchase, gift, or lease;

20 (6) to lease to others a project acquired by it for the rentals and upon  
21 the terms and conditions the authority may consider advisable, including, without  
22 limitation, provisions for options to purchase or renew;

23 (7) to issue bonds and otherwise to incur indebtedness, in accordance  
24 with AS 44.88.090, in order to pay the cost of a project or development projects or in  
25 order to provide money for the authority's purposes under this chapter; the authority  
26 may also secure payment of the bonds or other indebtedness as provided in this  
27 chapter;

28 (8) to sell, by installment sale or otherwise, exchange, donate, convey,  
29 or encumber in any manner by mortgage or by creation of any other security interest,  
30 real or personal property owned by it, or in which it has an interest, including a  
31 project, when, in the judgment of the authority, the action is in furtherance of its

1 corporate purposes;

2 (9) to accept gifts, grants, or loans from, and enter into contracts or  
3 other transactions regarding them, with a federal agency or an agency or  
4 instrumentality of the state, a municipality, private organization, or other source;

5 (10) to deposit or invest its funds, subject to agreements with  
6 bondholders;

7 (11) to enter into contracts or agreements with respect to the exercise  
8 of any of its powers, and do all things necessary or convenient to carry out its  
9 corporate purposes and exercise the powers granted in this chapter;

10 (12) to purchase or insure loans to finance the costs of manufacturing,  
11 industrial, and business enterprise projects;

12 (13) to enter into loan agreements with respect to one or more projects  
13 upon the terms and conditions the authority considers advisable;

14 (14) to acquire, manage, and operate projects as the authority considers  
15 necessary or appropriate to serve a public purpose;

16 (15) to assist private lenders to make loans to finance the costs of  
17 projects through loan commitments, short-term financing, or otherwise;

18 (16) to accept gifts, grants, or loans from a federal agency, from an  
19 agency or instrumentality of the state or of a municipality, or from any other source;

20 (17) to enter into contracts or other transactions with a federal agency,  
21 with an agency or instrumentality of the state or of a municipality, or with a private  
22 organization or other entity consistent with the exercise of any power under this  
23 chapter;

24 (18) to facilitate the expansion of a secondary market for the resale of  
25 federally or commercially insured loans made to finance the costs of projects in the  
26 state [ALASKA] held by federal and state chartered financial institutions or by the  
27 Alaska Commercial Fishing and Agriculture Bank;

28 (19) to charge fees or other forms of remuneration for the use or  
29 possession of the projects described in (14) of this section in accordance with the  
30 agreements described in (11) and (17) of this section, other agreements pertaining to  
31 the projects, covenants, or representations made in bond documents pertaining to the

1 projects, or regulations of the authority pertaining to the projects;

2 (20) to participate with government or private industry in programs for  
3 technical assistance, loans, technology, transfer, or other programs related to the  
4 exportation of [ALASKA] goods, services, or raw materials of the state with respect  
5 to its financing activities;

6 (21) to provide export finance training for office staff and other  
7 individuals involved in export finance assistance, including the training sessions that  
8 may be provided by the United States Export-Import Bank or other organizations;

9 (22) to coordinate to the maximum extent possible its efforts to  
10 promote the export of [ALASKA] goods, services, and raw materials of the state with  
11 programs and goals of the United States Export-Import Bank, the International Trade  
12 Administration of the United States Department of Commerce, the Foreign Credit  
13 Insurance Association, and other private and public programs designed to provide  
14 export assistance and export-related financing;

15 (23) to guarantee loans related to qualified export transactions under  
16 regulations adopted by the authority;

17 (24) to provide financing assistance, in cooperation with federal, state,  
18 and private institutions, as provided in this chapter for small business enterprises;

19 (25) to make cooperative agreements with the Department of  
20 Transportation and Public Facilities, acting on behalf of the international airports  
21 revenue fund established under AS 37.15.430, to acquire, equip, operate, maintain,  
22 construct, or install facilities that will enhance the competitiveness of the international  
23 airports, including a cooperative agreement to lend amounts from the international  
24 airport revenue fund to finance the development or improvement of utilities serving  
25 the airports;

26 (26) to screen potential applicants for a new business incentive grant  
27 and recommend the award of the grants under AS 45.81.020;

28 (27) to oversee the administration of outstanding grants awarded by the  
29 Alaska Science and Technology Foundation under former AS 37.17.010 - 37.17.110;

30 (28) to oversee the administration of outstanding BIDCO assistance  
31 grants and loans made by the Alaska Science and Technology Foundation under

1 former AS 37.17.200 - 37.17.390;

2 (29) to guarantee loans made to the Alaska Insurance Guaranty  
3 Association (AS 21.80.040), with these guarantees limited to loans necessary to make  
4 the association financially able to meet cash flow needs up to a maximum outstanding  
5 principal balance at any time of \$30,000,000;

6 (30) with legislative approval and notwithstanding AS 44.88.060, to  
7 purchase from the Alaska Energy Authority as an investment of the revolving fund,  
8 loans of the power project fund established under AS 42.45.010;

9 (31) to consider, when exercising the powers listed in this section, the  
10 interests of local governments impacted by the authority's activities to share in the  
11 benefits of these activities, with appropriate consideration of the authority's ability to  
12 meet debt obligations, issue new debt, and fulfill the authority's purposes;

13 **(32) to provide development project financing for all or a portion**  
14 **of the cost of a development project as provided in AS 44.88.172.**

15 \* Sec. 4. AS 44.88.088(a) is amended to read:

16 (a) The authority shall adopt a policy for payment of **dividends** [A  
17 DIVIDEND] to the state each fiscal year **from the revolving fund and from the**  
18 **sustainable energy transmission and supply development fund.** [THE AMOUNT  
19 OF THE DIVIDEND FOR A FISCAL YEAR MAY NOT BE LESS THAN 25  
20 PERCENT NOR MORE THAN 50 PERCENT OF THE NET INCOME OF THE  
21 AUTHORITY FOR THE BASE FISCAL YEAR. IN NO EVENT, HOWEVER,  
22 SHALL THE DIVIDEND FOR A FISCAL YEAR EXCEED THE TOTAL  
23 UNRESTRICTED NET INCOME OF THE AUTHORITY FOR THE BASE FISCAL  
24 YEAR.] The **dividends** [DIVIDEND] for a fiscal year shall be made available by the  
25 authority before the end of that fiscal year. The authority shall notify the  
26 commissioner of revenue when the **dividends** [DIVIDEND] for a fiscal year **are** [IS]  
27 available for appropriation. **The amount of the dividend payable from the**

28 **(1) revolving fund of the authority for a fiscal year may not be less**  
29 **than 25 percent nor more than 50 percent of the net income of the revolving fund**  
30 **for the base fiscal year; however, in no event, shall the dividend payable from the**  
31 **revolving fund for a fiscal year exceed the total unrestricted net income of the**

1 revolving fund for the base year:

2 (2) sustainable energy transmission and supply development fund  
 3 of the authority for a fiscal year may not be less than 25 percent nor more than  
 4 50 percent of the net income of the sustainable energy transmission and supply  
 5 development fund for the base fiscal year; however, in no event, shall the  
 6 dividend payable from the sustainable energy transmission and supply  
 7 development fund for a fiscal year exceed the total unrestricted net income of the  
 8 sustainable energy transmission and supply development fund for the base year.

9 \* Sec. 5. AS 44.88.088(b) is amended to read:

10 (b) In this section,

11 (1) "base fiscal year" means the fiscal year ending two years before the  
 12 end of the fiscal year in which the payment is made;

13 (2) "net income" means the [AUTHORITY'S] change in net position,  
 14 or the equivalent term under generally accepted accounting principles, of the  
 15 revolving fund or the change in net position of the sustainable energy  
 16 transmission and supply development fund [ASSETS] as set out in the audited  
 17 financial statements of the authority for the base fiscal year, excluding amounts  
 18 attributable to intergovernmental transfers, capital contributions, grants, or impairment  
 19 losses on development projects financed under AS 44.88.172;

20 (3) "unrestricted net income" means the [AUTHORITY'S] unrestricted  
 21 change in net position, or the equivalent term under generally accepted  
 22 accounting principles, of the revolving fund or the sustainable energy  
 23 transmission and supply development fund [ASSETS] as set out in the audited  
 24 financial statements of the authority for the base fiscal year, excluding amounts  
 25 attributable to intergovernmental transfers, capital contributions, grants, or impairment  
 26 losses on development projects financed under AS 44.88.172.

27 \* Sec. 6. AS 44.88.105(d) is amended to read:

28 (d) The chairman of the authority shall annually, not [NO] later than  
 29 January 2, certify in writing to the governor and the legislature the amount, if any,  
 30 required to restore a capital reserve fund to the capital reserve fund requirement. The  
 31 legislature may appropriate to the authority the amount certified by the chairman of

1 the authority. The authority shall deposit the amounts appropriated under this  
 2 subsection during a fiscal year in the proper capital reserve fund. Nothing in this  
 3 section creates a debt or liability of the state. In this subsection, "capital reserve fund"  
 4 means a capital reserve fund that

5 (1) is created under this section on or before January 1, 1989;

6 (2) secures refunding bonds if the refunding bonds are issued to refund  
 7 bonds that are secured by a capital reserve fund created under this section on or before  
 8 January 1, 1989; [OR]

9 (3) secures bonds issued on or after August 11, 1993, for a power  
 10 transmission intertie; or

11 (4) secures bonds issued on or after July 1, 2013, for a qualified  
 12 energy development the authority finances under AS 44.88.650 - 44.88.690.

13 \* Sec. 7. AS 44.88.172(a) is amended to read:

14 (a) The economic development account is established in the revolving fund.  
 15 The economic development account consists of money or assets appropriated, loaned,  
 16 or transferred to the authority for deposit in the account and other money or assets  
 17 deposited in the account by the authority. While money is on deposit in the economic  
 18 development account, the money may be used [ONLY] to finance, acquire, manage,  
 19 and operate development projects that the authority intends to own and operate or to  
 20 provide development project financing for development projects the authority  
 21 does not intend to own and operate. In this subsection,

22 (1) "operate" includes operation directly by the authority, by an agent  
 23 of the authority, or by a person as determined under an agreement between the  
 24 authority and other owners of the development project;

25 (2) "own" includes ownership by the authority of all or a percentage of  
 26 a development project or all or a percentage of the shares of a corporation or  
 27 membership in a limited liability company for which the development project is the  
 28 sole asset of the corporation or limited liability company.

29 \* Sec. 8. AS 44.88.172 is amended by adding a new subsection to read:

30 (d) The authority shall adopt regulations to implement this section. The  
 31 regulations may include provisions on the application process, application fees,

1 interest rates, other charges and fees, terms, conditions, security, and other  
2 requirements for development projects the authority undertakes or development  
3 project financing the authority provides.

4 \* **Sec. 9.** AS 44.88.900 is amended by adding a new paragraph to read:

5 (17) "development project financing" means the authority making a  
6 direct loan or issuing a guarantee of a loan, note, debt, or other financial obligation to  
7 fund or assist in funding a development project the authority does not intend to own  
8 and operate.

9 \* **Sec. 10.** The uncodified law of the State of Alaska is amended by adding a new section to  
10 read:

11 LEGISLATIVE APPROVAL; FINANCING OF LIQUIFIED NATURAL GAS  
12 PRODUCTION AND DISTRIBUTION FACILITIES. (a) The Alaska Industrial  
13 Development and Export Authority, through the sustainable energy transmission and supply  
14 fund established in AS 44.88.660, may provide financing up to a maximum principal amount  
15 of \$275,000,000 for the development, construction, and installation of, and the start-up costs  
16 of operation and maintenance for, a liquefied natural gas production plant, system, and  
17 affiliated infrastructure on the North Slope and a natural gas distribution system and affiliated  
18 infrastructure within Interior Alaska.

19 (b) As a part of the financing authorized in (a) of this section, the Alaska Industrial  
20 Development and Export Authority may issue bonds under AS 44.88.090 that are secured by  
21 a capital reserve fund established under AS 44.88.105. Notwithstanding AS 44.88.105, in  
22 establishing a capital reserve fund for the bonds, the authority is not required to determine that  
23 the capital reserve fund is necessary to enhance the marketability of the bonds. The capital  
24 reserve fund shall be managed by the authority as provided in AS 44.88.105. The principal  
25 amount of the bonds authorized in this section may not exceed \$150,000,000 plus the cost of  
26 capitalized interest, bond counsel fees, trustee fees, rating fees, financial advisor fees, escrow  
27 costs, and other bond issuance costs that are deemed reasonable and appropriate by the  
28 authority.

29 (c) Notwithstanding the interest rate requirements of AS 44.88.159, the interest rate  
30 the authority may charge for any financing authorized in (a) of this section that is provided  
31 from money of the sustainable energy transmission and supply fund may not exceed three

1 percent or the current market rate for commercial loans at time of issuance of the bonds,  
2 whichever is less. Notwithstanding the interest rate requirements of AS 44.88.159, the interest  
3 rate that the authority may charge for any financing authorized in (a) of this section that is  
4 provided from the proceeds of bonds authorized under this section may not exceed the interest  
5 rate to be paid on the bonds, plus an allowance that the authority shall establish for its  
6 administrative expenses; however, the allowance for administrative expenses may not exceed  
7 25 basis points. Notwithstanding any contrary provision of law, the interest rate limitations of  
8 this subsection supersede and replace any other requirements of law regarding the interest  
9 rates that the authority may charge for the financing authorized in (a) of this section.

10 (d) The authorization of (a) of this section constitutes legislative approval for the  
11 authority exceeding the limitations of AS 44.88.690 in providing the financing approved in (a)  
12 of this section. In providing the financing authorized under (a) of this section, the authority  
13 may waive any limitations or requirements of its regulations that are otherwise applicable to  
14 the sustainable energy transmission and supply fund.

15 (e) The bonds authorized by this section may not be considered in calculating the  
16 authority's bonding limitation for a 12-month period under AS 44.88.095(a).

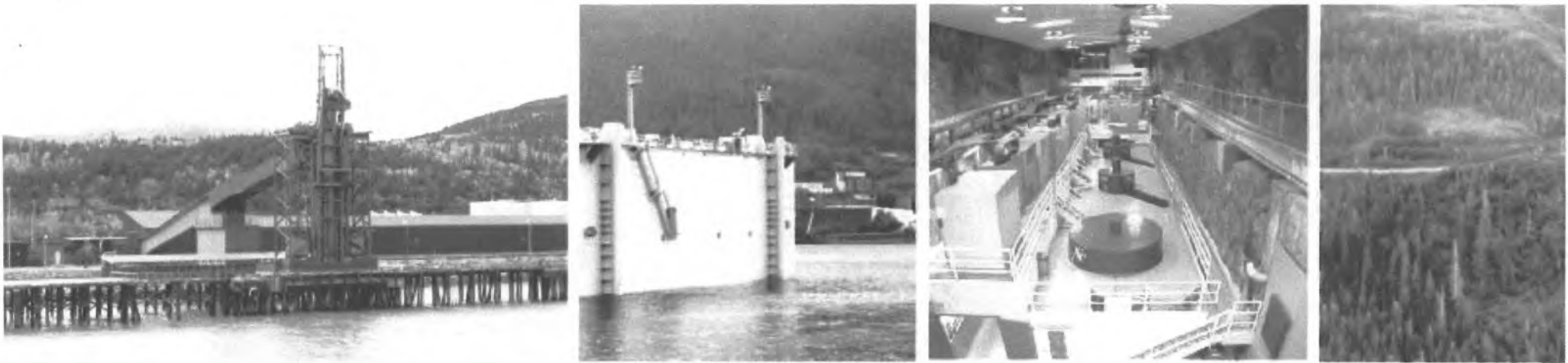
17 (f) The authorization to issue bonds this section grants expires as of June 30, 2018, if  
18 not utilized by the issuance of bonds before that date. Expiration of the authorization to issue  
19 bonds does not affect bonds that the authority issues under this section prior to July 1, 2018.

20 (g) In this section,

21 (1) "authority" means the Alaska Industrial Development and Export  
22 Authority;

23 (2) "financing" means any method of providing funds for a qualified energy  
24 development under AS 44.88.650 - 44.88.690 or any combination of the methods of providing  
25 funds for a qualified energy development under AS 44.88.650 - 44.88.690.

26 \* **Sec. 11.** This Act takes effect immediately under AS 01.10.070(c).



# Alaska Industrial Development and Export Authority Alaska Energy Authority

## *SB 23 AIDEA Development Project Financing for a Liquefied Natural Gas Production and Distribution System*

AIDEA/AEA Policy Presentation on SB 23  
Senate Finance Committee

February 28, 2013 – Juneau, AK

# Interior Energy Plan

- Opportunity to provide Alaskans with low-cost North Slope natural gas and propane
- Governor's finance package acts as a catalyst, bringing together LNG and propane customers with the private entities that will construct and operate the system
- AIDEA is investigating project feasibility and will only utilize their authorized finance tools if the project makes economic sense
- AIDEA will take an equity stake in project but will not outright build or operate the LNG plant or distribution system
- Governor's finance package is targeted at funding the initial capacity with future expansion funded by private/community investment

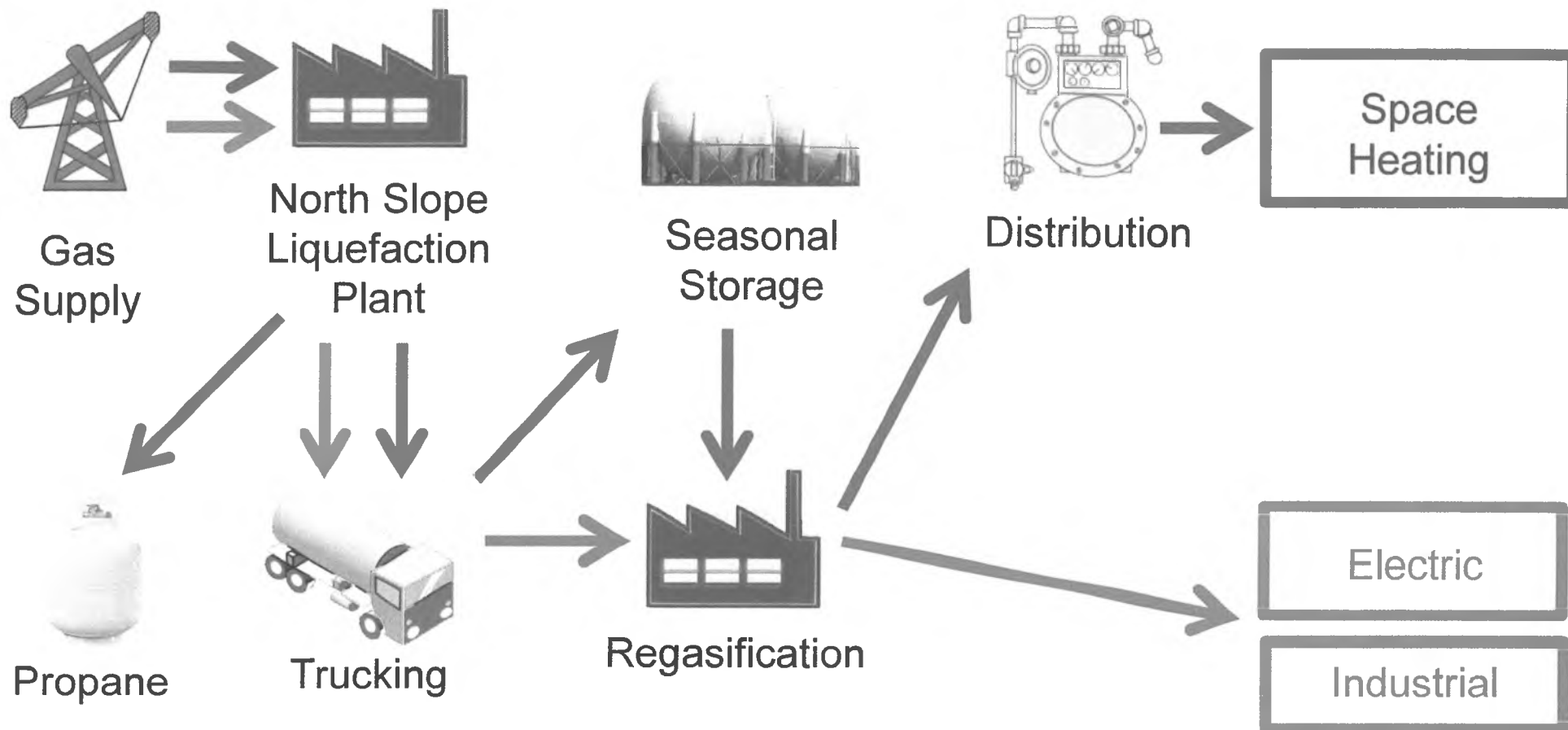
# Project Goals

- Provide lowest-cost energy to Interior Alaska consumers as soon as possible
- Get gas first to the Interior while assuring long-term access to gas and propane from liquefaction plant for all Alaskans
- Utilize private sector mechanisms as much as possible

# Project Description

- Natural gas will be liquefied on the North Slope and trucked to Interior Alaska
- Propane will be produced and delivered to Interior and Rural Alaskans
- Primary LNG demand anticipated to be Fairbanks and North Pole
- LNG will be temporarily stored and re-gasified in Interior Alaska
- Natural gas distribution system with storage to supply natural gas for heating

# LNG Trucking Value Chain



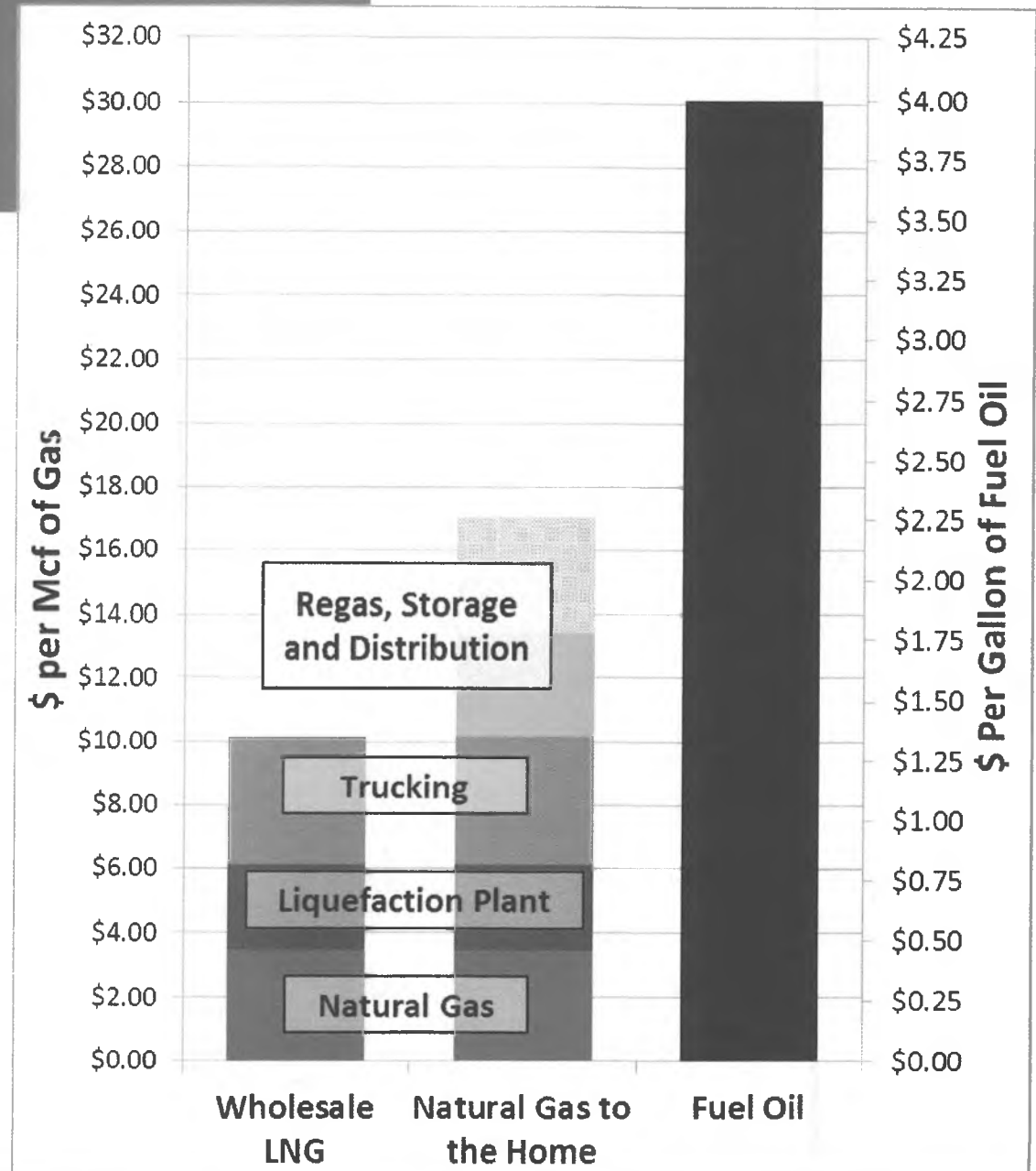
# LNG Lowers Energy Costs

## Expected Utility Price per Mcf

- Wholesale LNG: \$10.15
- Natural Gas to home: \$13.42-\$17.00 per Mcf
- Delivered price is equal to \$1.79 - \$2.27 per gallon of fuel oil

## Key Assumptions

- Initial costs associated with a 9 Bcf plant at start up
- Snapshot in time, costs change with expansion
- LNG plant bifurcated into two sections (industry and utility)
- \$50 million capital cost reduction applied to 6.5 Bcf utility section



# Heating Energy Supply Comparison

## Trucked LNG is the lowest-cost option for Interior Alaska heating

- Electricity would need to be \$0.04 - \$0.06 per kWh to compete with trucked LNG
- Electricity would need to be much cheaper to compete with fuel oil

\$ per MMBtu	\$ per kWh	\$ per Gallon Fuel Oil	
\$65	\$0.22		<b>Fairbanks Electricity</b> \$0.22 per kWh
\$60	\$0.20	\$8.00	
\$55	\$0.18	\$7.00	
\$50	\$0.16	\$6.00	
\$45	\$0.14	\$5.00	<b>Anchorage Electricity</b> \$0.13-\$0.14 per kWh
\$40	\$0.12	\$4.00	
\$35	\$0.10	\$3.00	<b>Fairbanks Fuel Oil</b> \$4.00 per Gallon
\$30	\$0.08	\$2.00	
\$25	\$0.06	\$1.00	<b>Truck LNG to Interior</b> \$13.49-\$17.29 per MMBtu
\$20	\$0.04	\$0.00	
\$15	\$0.02	\$0.00	<b>Cook Inlet Natural Gas</b> \$9.45 per MMBtu
\$10	\$0.00	\$0.00	
\$5			
\$0			

# Plant Use and Expansion

## Plant Expansion

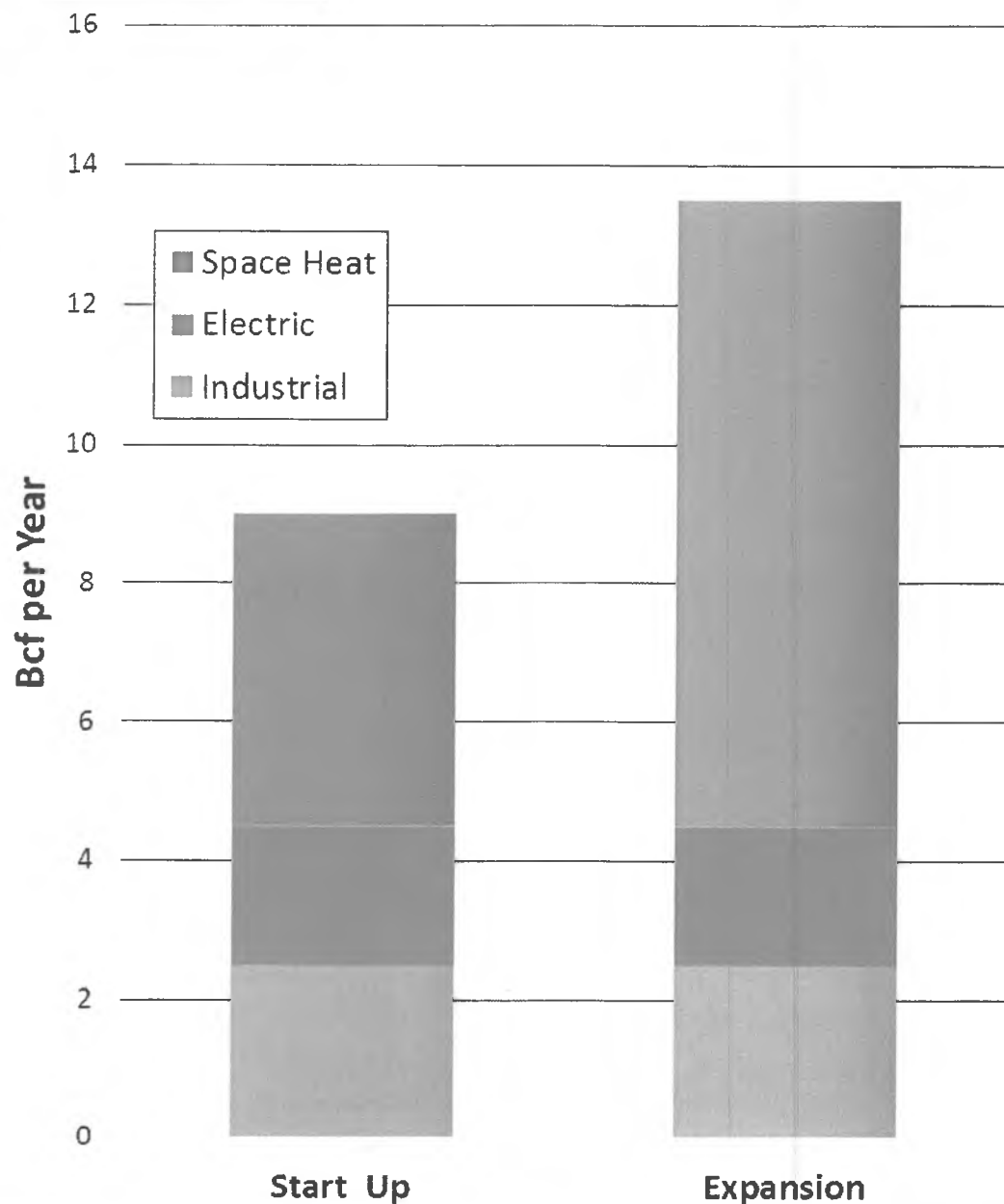
- LNG plant will expand as the demand for natural gas increases
- Size or timing of expansion is driven by demand
- Customer count includes residential and commercial users
- Second expansion is possible based on pipeline timing

### Capacity (Bcf per year)

	Start Up	Expansion
Space Heat	4.5	9.0
Electric	2.0	2.0
Industrial	2.5	2.5
<b>Total Demand</b>	<b>9.0</b>	<b>13.5</b>

### Estimated Customers

LNG	7,800	15,900
Propane	1,800	2,700



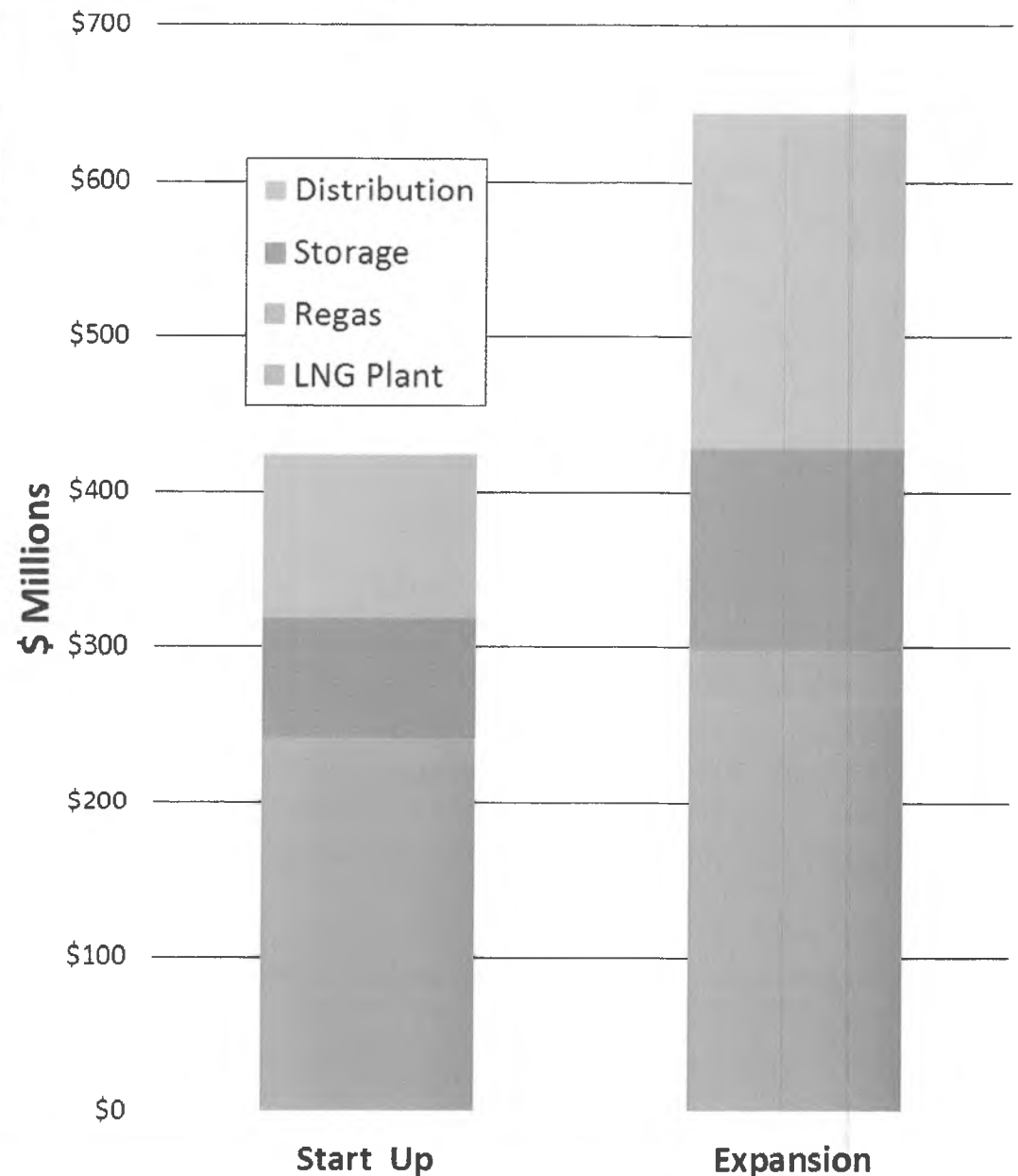
# Capital Cost Breakdown

## Capital Costs

- Based on “Mid Cost” scenario
- Economies of scale achieved in LNG plant as additional 4.5 Bcf trains are added
- Costs for expansions are cumulative
- Does not include trucking capital

Capital Costs (\$millions)

	Start Up	Expansion
LNG Plant	\$220	\$265
Regas	\$23	\$34
Storage	\$77	\$130
Distribution	\$105	\$216
<b>Total</b>	<b>\$425</b>	<b>\$644</b>
<i>Low Cost</i>	<i>\$368</i>	<i>\$522</i>
<i>High Cost</i>	<i>\$481</i>	<i>\$767</i>



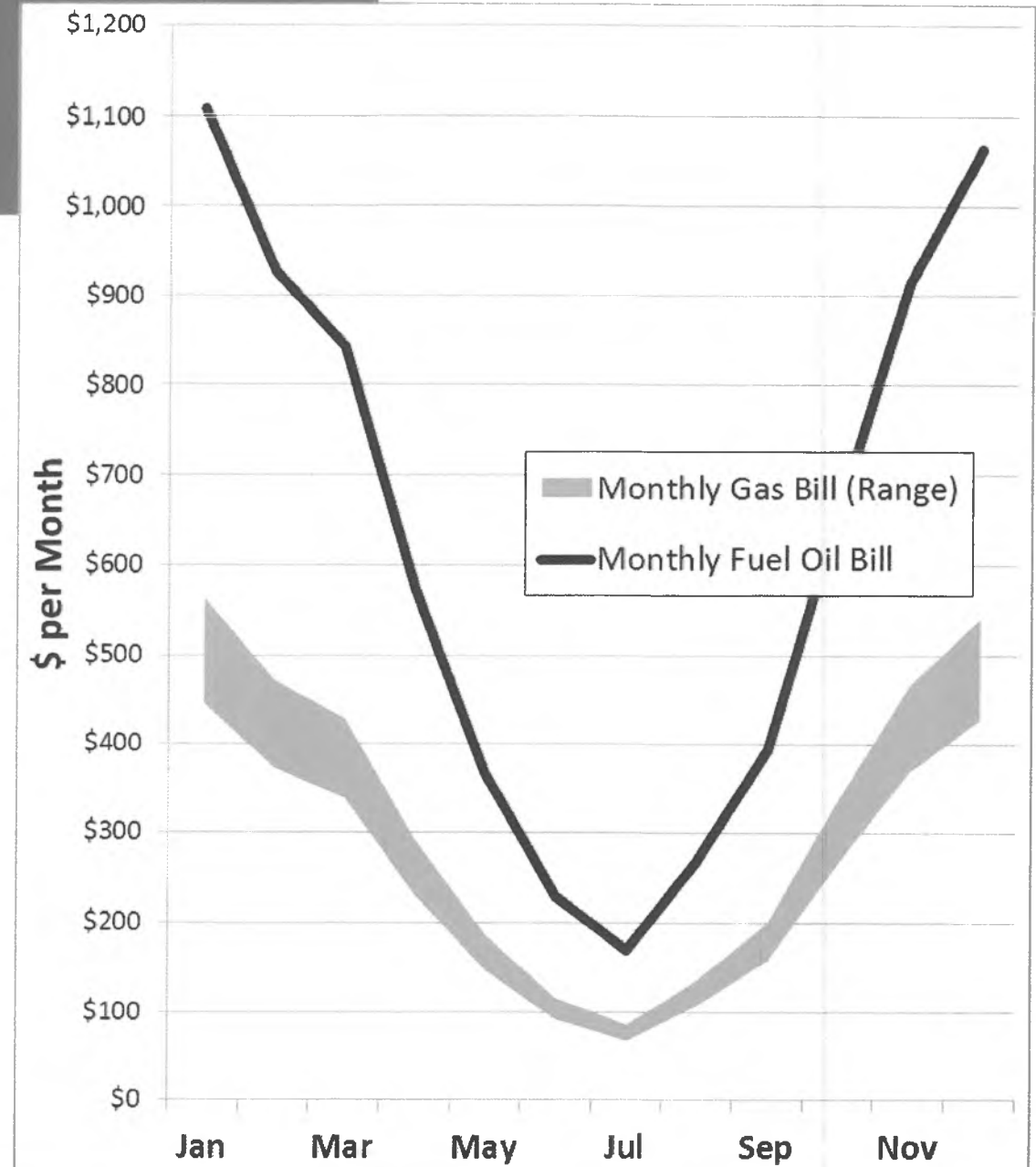
# Household Heating Savings

## Typical Home Heating Savings

- \$2,900 - \$3,750 annually
- 43% - 55% reduction in cost

## Key Assumptions

- Typical Interior Alaska household will use 225 Mcf of gas per year (equivalent to 1,700 gallons of fuel oil)
- Does not account for expected improvement in heating efficiency with natural gas



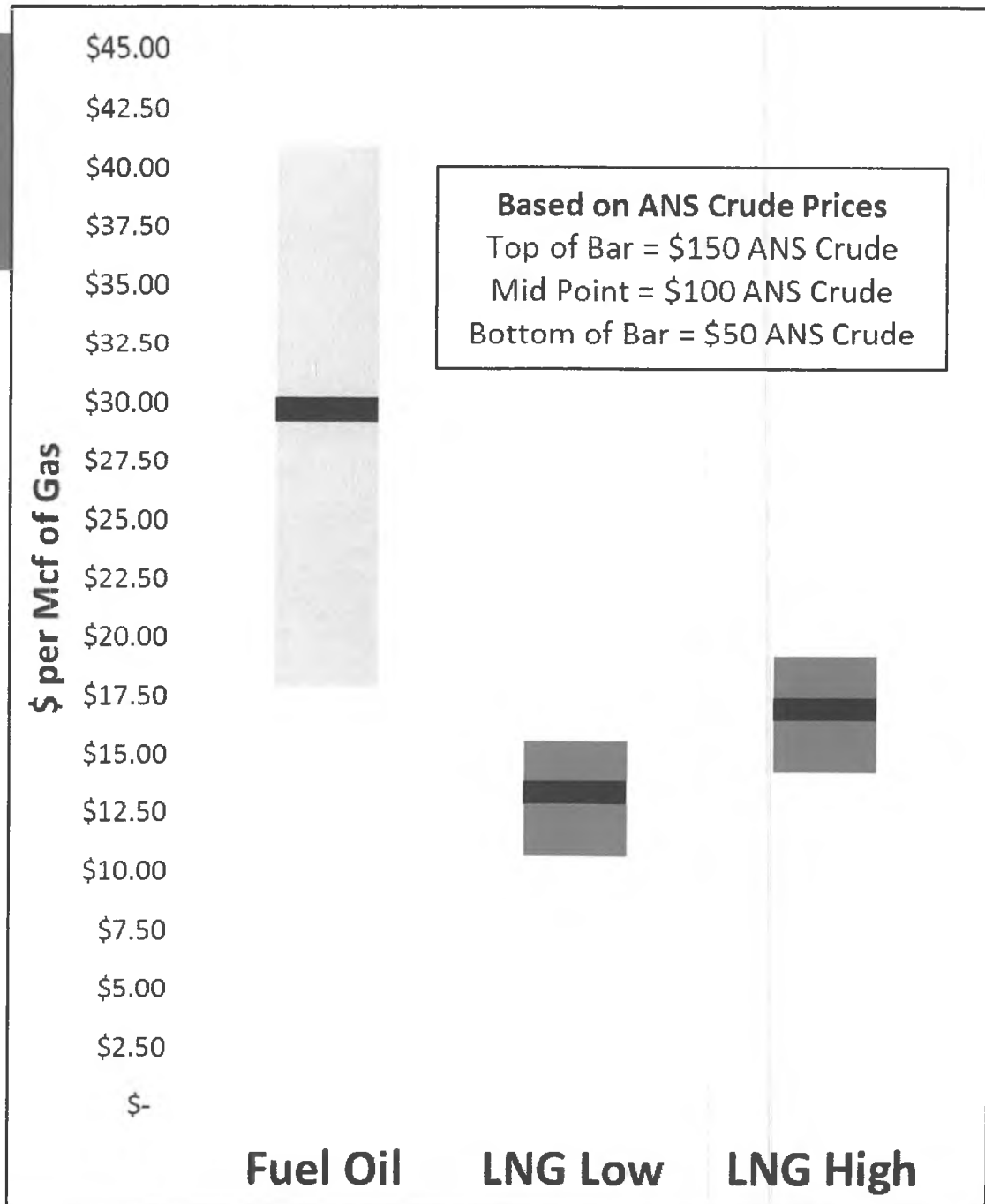
# Reduce Fuel Price Uncertainty

## Reduced price variability

- Small portion of delivered LNG price is natural gas cost
- Fuel oil prices are much more volatile than trucked LNG
- Trucked LNG is cheaper even when oil prices drop

## Key Assumptions

- Fairbanks fuel oil price is based on linear regression analysis
- Natural gas price uses publicly available information on LNG supply contracts



# Air Quality

## Conversion to natural gas should reduce air pollutant emissions in Fairbanks and North Pole

- Will reduce overall emissions of PM 2.5
- Fairbanks is presently a non-attainment area for PM 2.5
- Potential public health benefits of natural gas is substantial

## Impact on Federal funding and economic development

- Alaska risks losing Department of Transportation and Public Facilities funding if State fails to submit an attainment plan to EPA
- Federal projects in the area face funding hurdles while area is non-attainment
- Cleaner, healthier air in Fairbanks will promote economic development



**Los Angeles Times** NATION

LOCAL U.S. WORLD BUSINESS SPORTS ENTERTAINMENT HEALTH LIVING

POLITICS NATION NOW POLITICS NOW TOP OF THE TICKET SCIENCE SCIENCE

TRENDING NOW ▲ MIDWEST STORM | OSCAR PISTORIUS | TB OUTBREAK | JERRY BUSS | LAS V

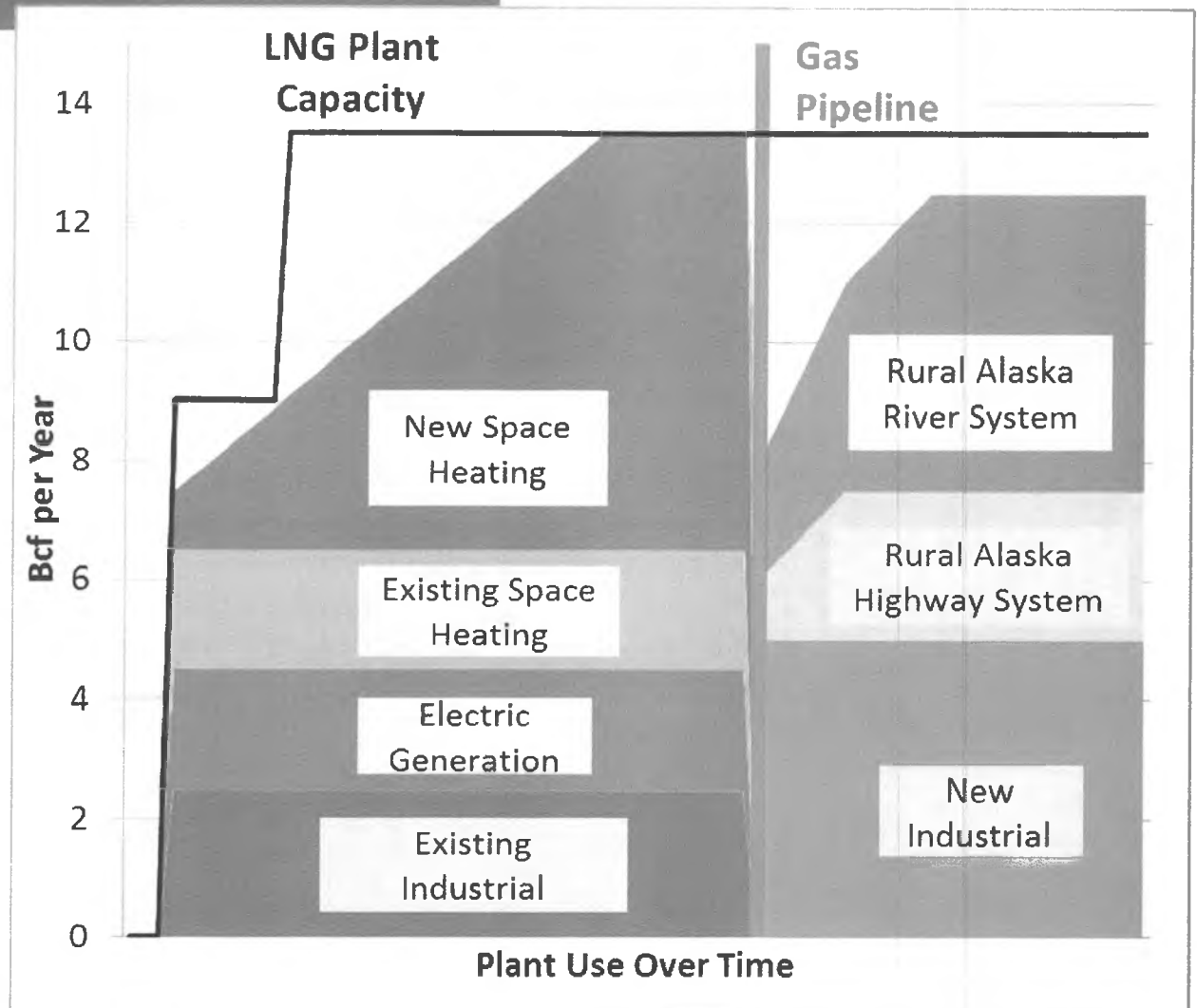
### Fairbanks area, trying to stay warm, chokes on wood stove pollution

Wood-burning stoves give the Fairbanks, Alaska, area some of the worst winter air pollution in the country.

# Long Term Use of LNG Plant

## LNG Plant will be used after gas pipeline

- Plant can serve Rural Alaska before gas pipeline is constructed
- Expect opportunity to sell LNG to new industrial users both before and after pipeline
- Information in chart is for demonstration only



# Governor's Finance Package

**\$150 Million**  
AIDEA Bonds

**\$50 Million**  
General Fund

**\$125 Million**  
SETS Capitalization

**+ Private Sector**

**+ Municipal Utility**

**9 Bcf North Slope  
Liquefaction Plant**

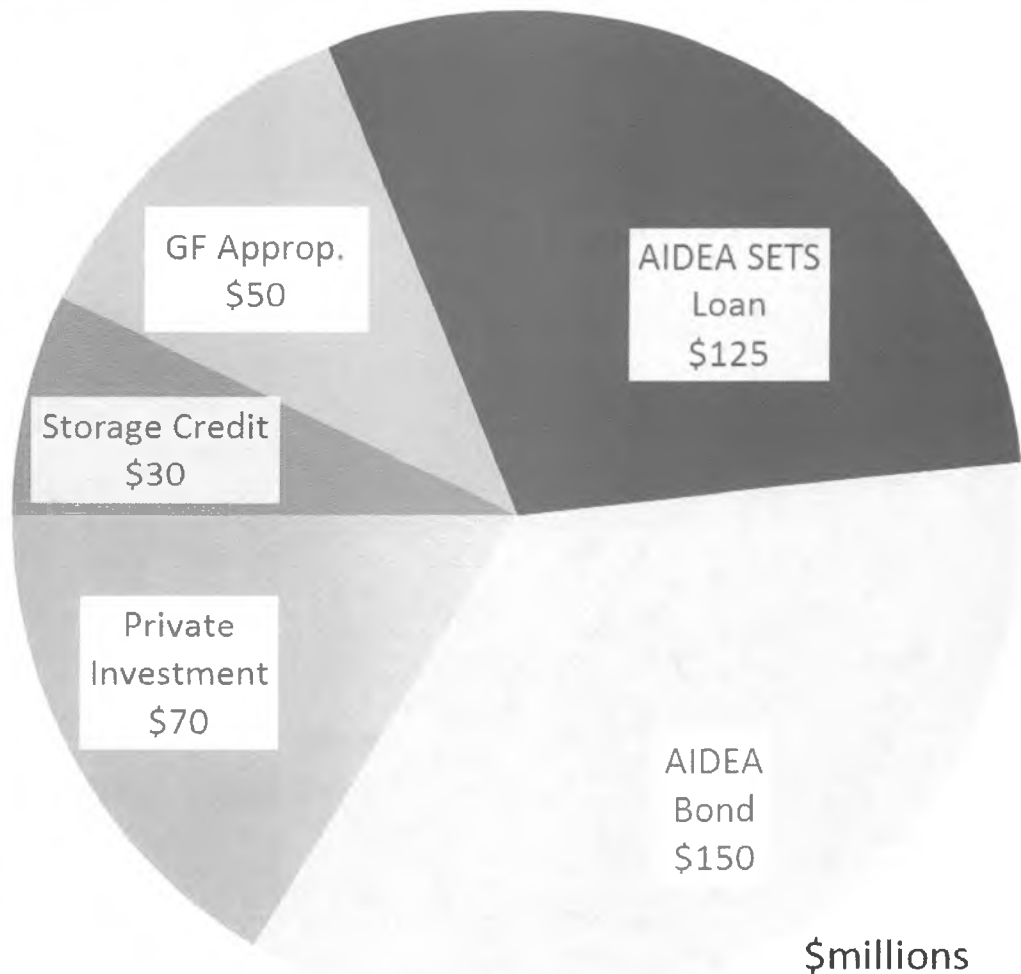


**Gas Distribution System**  
*Residential/Industrial*

# Governor's Finance Package

- \$50 million General Fund appropriation
  - Directly reduces the cost of LNG
- \$150 million AIDEA bonds
  - 3% to 4.5% interest rate (depending on tax-exempt status of component financed and market rates)
  - \$125 million SETS capitalization
  - 3% interest rate (set by SB23/HB74)
  - Flexibility to provide optimal commercial structure
- **\$325 million total 2013 package**
- \$30 million natural gas storage credit
  - \$15 million tax credit per qualifying storage tank
  - Created through previous legislative action
- **\$355 million total Governor's package**

# Potential Finance Options for Initial Buildout



- The initial buildout will be funded from multiple sources, the example used here is just one possibility
- Projected 30 years payback period
- Private/community investment will fund future expansion
- Authorization to use State funds will not be used if AIDEA determines the project is not feasible

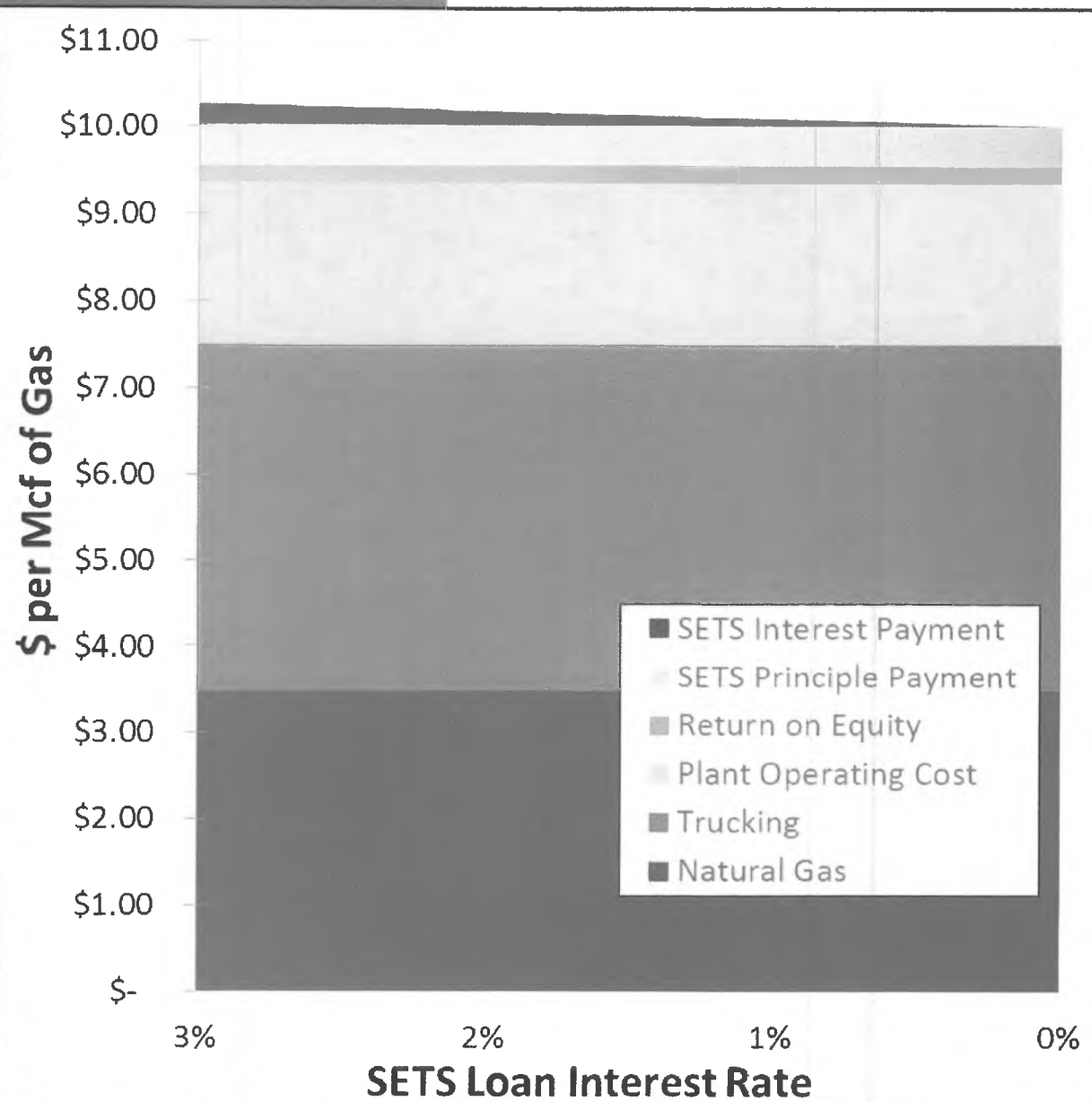
	LNG Plant	Regas, Storage & Distribution	Total
<b>State Storage Credit</b>	\$15	\$15	\$30
<b>General Fund Approp.</b>	\$50	\$0	\$50
<b>AIDEA SETS Loan</b>	\$125	\$0	\$125
<b>AIDEA Bond</b>	\$0	\$150	\$150
<b>Private Investment</b>	\$30	\$40	\$70
<b>Total Capital</b>	<b>\$220</b>	<b>\$205</b>	<b>\$425</b>

# SETS Loan Interest Rate

## SETS Loan interest rate has minimal impact on LNG Price

- Assumes 30-year loan term
- Reduces natural gas price by \$0.25 per Mcf

	3.0%	2.0%	1.0%	0.0%
SETS Interest Payment	\$0.25	\$0.16	\$0.08	\$0.00
SETS Principle Payment	\$0.46	\$0.46	\$0.46	\$0.46
Return on Equity	\$0.21	\$0.21	\$0.21	\$0.21
Plant Operating Costs	\$1.85	\$1.85	\$1.85	\$1.85
Trucking	\$4.00	\$4.00	\$4.00	\$4.00
Natural Gas	\$3.50	\$3.50	\$3.50	\$3.50
<b>Total</b>	<b>\$10.28</b>	<b>\$10.19</b>	<b>\$10.11</b>	<b>\$10.03</b>





# AIDEA and AEA

## **Alaska Industrial Development and Export Authority Alaska Energy Authority**

813 West Northern Lights Blvd.  
Anchorage, Alaska 99503  
(907) 771-3000  
(888) 300-8534 (Toll Free in Alaska)

[Aidea.org](http://Aidea.org)    [Akenergyauthority.org](http://Akenergyauthority.org)

# ALASKA

## INTERIOR ENERGY PLAN

**AIDEA**

**ALASKA**  
ENERGY AUTHORITY



# Investing in Alaskans

## Alaska Industrial Development and Export Authority

813 West Northern Lights Blvd.  
Anchorage, Alaska 99503

Phone: (907) 771-3000  
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# INTERIOR ENERGY PLAN

## PREAMBLE

*The Alaska Industrial Development and Export Authority (AIDEA) and Alaska Energy Authority (AEA) provide this initial report on the effort to bring affordable energy to Alaska's Interior under Governor Parnell's Interior Energy Plan. AIDEA and AEA seek to collaborate with the private sector, utilities, local governments, and economic development entities to implement the Governor's plan. In December 2012, AIDEA requested letters from private sector companies interested in partnering with the Authority on a project to liquefy natural gas, deliver it to market via trucking, and distribute it to consumers through an expanded piped distribution system with a target of first gas by the autumn of 2015. This report sets out progress to date, based on the responses AIDEA received.*

### 1.0 Executive Summary

AIDEA is pleased to have received 16 responses to its Request for Letters of Interest for the development of an LNG facility to implement the Governor's Interior Energy Plan. We are encouraged by the depth and extent of these private sector responses. We find there is significant interest combined with the needed technical and financial capability to timely implement this plan and bring affordable natural gas to Interior Alaska and other parts of the state. The initial focus will be to provide natural gas for heating to the high and medium density areas of the Fairbanks North Star Borough.

Based on a careful, initial review of the responses, AIDEA believes that Governor Parnell's Interior Energy Plan could bring natural gas to consumers at rates that will significantly lower energy costs in the Interior. A reasonable target is to achieve a 40-50 percent reduction in the cost of energy, compared to \$3.90/gallon heating fuel, and first gas by the end of 2015. Both AIDEA and AEA see the propane by-product that will be separated during the

natural gas liquefaction process as an additional valuable energy commodity for the Interior. This propane could be used to lower energy costs for residents who cannot be economically served by a piped natural gas distribution network.

Most of the proposals that accompanied the expressions of interest make use of the financing package proposed by Governor Parnell in SB 23 and HB 74. Under this package, AIDEA would invest \$50 million and make a \$125 million loan for the LNG plant under the new SETS<sup>1</sup> fund. The bills also authorize AIDEA to issue up to \$150 million in SETS bonds for the project. These bonds could be used to assist in the financing of the initial expansion of the gas distribution system that would bring natural gas to homes and businesses in the Interior. The financing package in both bills is dependent on, and designed to work with, private sector investment in, and operation of, the project. It is envisioned that a private company, in which AIDEA is a partner, will own the LNG plant, and that one or more utilities may be involved with the storage and distribution of natural gas in the Fairbanks area and beyond.

Two of the proposals are essentially turnkey offers:

- Pentex Alaska Natural Gas Co., which is the parent company of Fairbanks Natural Gas (FNG), LLC, provided a response for developing the infrastructure to deliver affordable natural gas. Pentex has stated that it has land for an LNG plant and necessary permits.

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<sup>1</sup> SETS stands for the Sustainable Energy Transmission & Supply Development Fund that was established last year under SB 25. This new fund within AIDEA authorizes the agency to provide loans for energy development, including the "liquefaction, regasification, distribution, storage, or use of natural gas except a natural gas pipeline project for transporting natural gas from the North Slope or Cook Inlet to market." AS 44.88.900(13)(B).

- Golden Valley Electric Association (GVEA) provided a detailed proposal to build and own an LNG facility, and to build LNG storage at its North Pole Facility. This proposal has several strengths, including engineering plans, and a statement that GVEA has a signed gas supply agreement. GVEA also indicated they have identified a proposed site for the LNG plant. GVEA indicated it is seeking permits and a source of financing.

Both turnkey proposals, however, lack critical elements of a financeable business package. Essentially, since no one proposal of the 16 received can be used as presented, AIDEA will work with respondents to develop a viable private sector business and finance plan that makes use of the SB 23 and HB 74 financing tools, so the project can quickly move ahead. This suggests that a likely partnership with AIDEA will not be with just one of the 16 responding entities, but rather a compendium of several of them working in conjunction with the financing package in the Interior Energy Plan.

Another critical step needed will be to determine the aggregate demand from various potential gas users, including residential, utility, and industrial customers both in the Interior and in other areas that might be served by LNG gas. This is necessary to underpin the financing for the LNG plant.

## **2.0 Introduction**

The Governor's Interior Energy Plan seeks to provide a reliable natural gas energy supply to Interior Alaska, which is presently suffering under extremely high energy prices. AIDEA issued a Request for Letters of Interest to develop an LNG plant. AIDEA

sought expressions of interest from single full-service entities or an organized team of entities to participate in the development of this project. AIDEA received 16 responses from private sector entities.

Governor Parnell has introduced two bills to the Legislature to provide financial support for this development. SB 23 and HB 74 are identical bills which authorize AIDEA to provide financing in conjunction with the private sector for a project to transport gas to Interior Alaska to lower energy costs. The bills provide for partial financing of the LNG plant by AIDEA, and the use of bonds to assist in financing the expansion of the existing gas distribution system to bring gas to homes and businesses in the high and medium density areas of the Fairbanks North Star Borough.

### **The premise of the project:**

- Designed to bring relief to Interior Alaska, which sees heating fuel costs and electric prices at record high levels.
- Natural gas is abundant, readily available, and at reasonable cost.
- The project is targeted to bring a natural gas supply into Interior Alaska in three years.
- The gas would be for use in home heating, power generation and possible industrial use.
- Energy from the project could also benefit residents in other parts of the state.

## The project entails:

- Developing a gas conditioning and liquefaction plant.
- Establishing truck-based hauling contracts to move LNG to the Interior.
- Constructing LNG storage and re-gassing facilities in the Fairbanks North Star Borough (FNSB).
- Assisting in financing the expansion of the piped natural gas distribution system into the high and medium density areas of the Fairbanks North Star Borough, and making affordable energy supplies available for rural areas.
- Providing necessary connecting piping into GVEA base load power generation facilities at North Pole.

## The \$355 million project financing in the Governor's bills includes:

- \$150 million AIDEA bonds, 3% interest rate (projected rate based on current market rates).
- \$125 million SETS capitalization, 3% interest rate, with flexibility to support optimal commercial structure. Waiver of the statutory one-third project participation limitation in SETS for this project.
- \$50 million general fund appropriation for an AIDEA equity position to directly reduce the cost of LNG.
- \$30 million natural gas storage credits.

- AIDEA will use this loan and bond finance package to attract private investment.

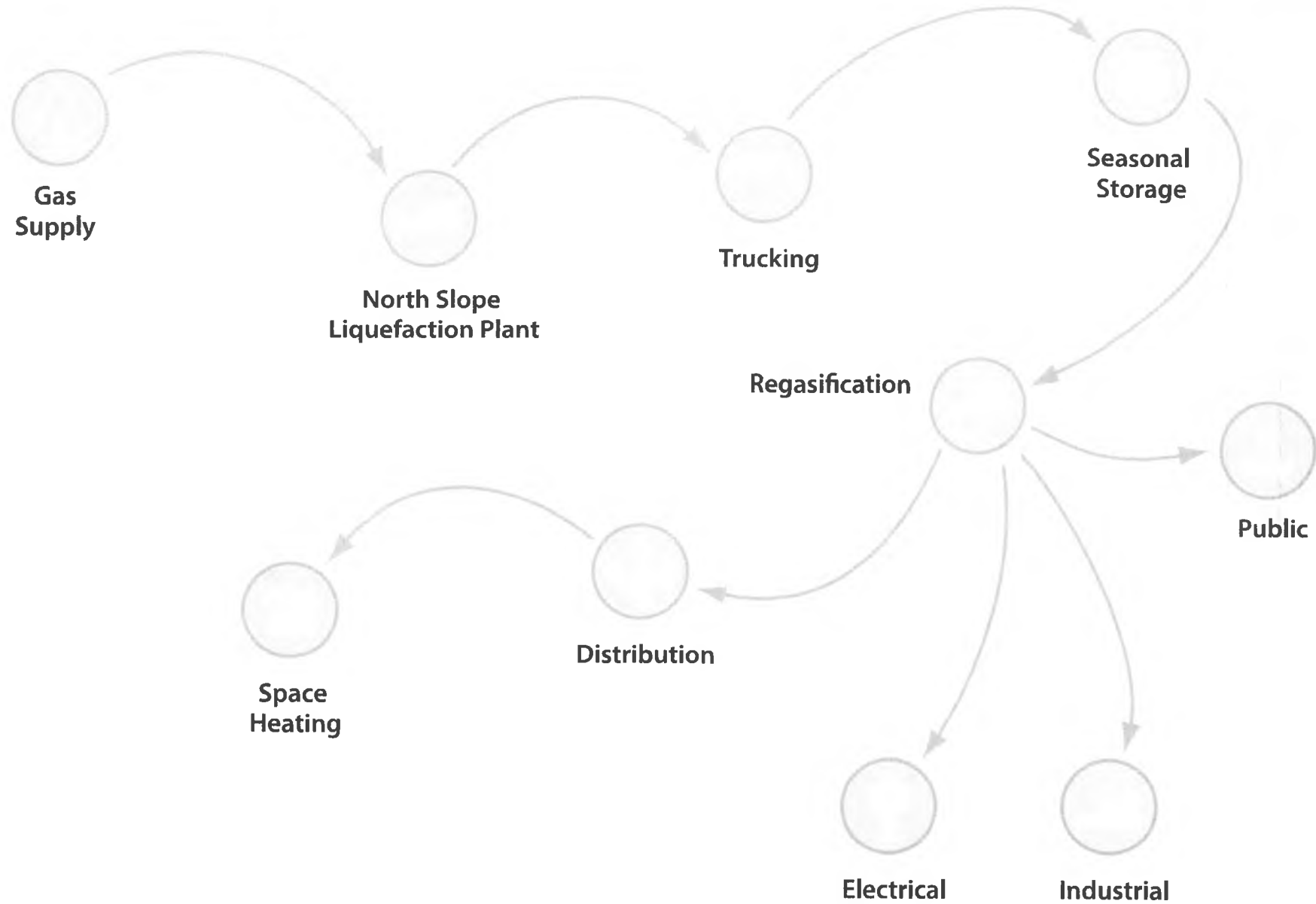
## 3.0 Description of Responses

### 3.1 Overview Discussion

AIDEA categorized the 16 responses received as follows:

1. Turnkey Entity—A private sector team that can develop and operate all aspects of the supply chain of the project, from purchase of gas (from producers) to distribution of vaporized utility grade natural gas to heating customers and to electrical power generators. Figure 1 shows this supply chain for the project.
2. Engineer-Procure-Construction (EPC)—A private sector entity or team of companies that can design the plant, procure the equipment, construct the plant, and commission it.
3. Financing Entities—A private sector entity that can provide, procure, or participate in the financing of the project, making use of AIDEA financing.
4. Other—The entity did not indicate interest in being a turnkey or component part of the development.

Figure 1: LNG Trucking Value Chain



# INTERIOR ENERGY PLAN

## *Turnkey proposals—Two were provided:*

- Pentex Alaska Natural Gas, LLC—Parent company to Polar LNG, LLC and Fairbanks Natural Gas, LLC
- Golden Valley Electric Association (GVEA)—Cooperative electric public utility with a service area extending throughout and beyond the FNSB

## *Engineering, Procurement, and Construction (EPC) responses— A total of six responses were received:*

- Chicago Bridge & Iron (CB&I) Services, Inc.—Experienced in LNG development
- CH2MHILL—Full service LNG development contractor with significant Alaska operations
- HDR—Extensive permitting and national LNG development experience
- PND Engineers, Inc.—Specializes in Arctic civil design, environmental permitting, and construction administration
- Black & Veatch—Full service EPC and consulting company with extensive LNG project development experience and a proprietary PRICO natural gas liquefaction process
- Arctic Slope Regional Corporation (ASRC) Energy Services—Alaskan-owned oil and gas services provider with significant experience

## *Financing—Three responses received:*

- Northrim Bank—Alaska bank interested in providing financing under the SETS fund
- Guggenheim Partners, LLC—Firm interested in developing financial solutions
- KeyBanc Capital Markets—Full-service corporate and investment bank with resources devoted to the energy sector

## *Other Responses—Five responses that did not indicate interest in being a turnkey or component part of the development were received:*

- Alaska Gas Line Port Authority (AGPA)—Provided an email asking AIDEA to broaden its evaluation beyond LNG trucking.
- Interior Alaska Natural Gas Utility (IGU)—Provided a letter offering their capabilities to AIDEA in a supporting role, emphasizing the need for a rapid build-out of natural gas distribution infrastructure.
- Alaska Power and Telephone (AP&T)—Indicated by letter an interest in making use of the LNG commodity made accessible in the Interior, in rural areas of Alaska.
- Arctic Slope Regional Corporation (ASRC)—Indicated by letter that it welcomes continued discussions as the idea develops.

- Spectrum LNG, LLC—Provided a response requesting to be registered as an interested party for the development of an LNG plant in Prudhoe Bay.

Each EPC firm has its own unique and slightly different strengths. All have relevant experience and expertise. Some indicated interest in operating the facility. The primary EPC contractors with extensive LNG experience are Black & Veatch, CB&I, and CH2MHILL. In addition, both PND Engineers, Inc. and ASRC Energy Services offer experience in providing services and would be able to assist in EPC activities, but not to undertake the entire task on their own.

Consistent with a recent trend in infrastructure contracting, several of the EPC companies expressed their capability and interest to design, build, operate, and maintain the LNG plant. None of these EPC proposals includes specific offers to finance the project.

Finally, three of the offers come from financial entities interested in providing a source of private funding for the project. All of these are premised on making use of the financing offered from AIDEA (SB 23 and HB 74), but would supplement these funds with sources of private capital.

#### **4.0 Analysis**

The Governor's Interior Energy Plan aims to provide natural gas to Fairbanks and the Interior at a price significantly lower than the predominant energy source, fuel oil. AEA modeling shows that a 40-50 percent reduction in heating cost should be achievable. The Plan's other goal is to deliver natural gas in 30-36 months because the Interior needs lower-cost energy in the near

term, and to improve air quality in the region. Finally, the project must be consistent with and complementary to other gas delivery proposals that offer a long-term energy solution for the Interior, such as the ASAP pipeline or the large diameter export pipeline that would terminate at tidewater.

We have evaluated all of the material submitted with the expressions of interest, and in particular the GVEA and Pentex turnkey responses, with the following considerations:

- Availability of natural gas feed stock
- Ability to finance
- Ability to accomplish EPC and commission
- Timing and availability of permits
- Arrangements for trucking
- Ability for natural gas distribution build-out
- Speed of completion—delivery of first gas by third quarter 2015

Both GVEA and Pentex have made good-faith efforts to respond as turnkey project developers. GVEA has indicated its preference for a \$200 million grant to construct and own the plant, although it has indicated that it is prepared to work with the AIDEA finance package proposed in SB 23 and HB 74 with conditions. GVEA also offered to construct, own, and operate LNG storage on a site adjacent to its North Pole generation facility. GVEA did not indicate whether this storage would satisfy the needs of area wide retail gas consumers. As a result, additional LNG storage may be necessary to satisfy heating customer demand during the winter.

GVEA indicates it will make use of the LNG project's natural gas product in its power plants. While it is likely GVEA will burn this gas in its combined cycle gas turbine generating unit at North Pole, it has also commenced operation of the Eva Creek Wind

# INTERIOR ENERGY PLAN

Farm (24.6MW installed capacity), and is planning on re-start of the Healy Clean Coal Project (55 MW) as well. GVEA also recently signed a power supply agreement with Chugach Electric Association to bring up to 75 MW of power north through the Alaska Intertie into GVEA's system. The actual availability of power from these other sources will affect how much natural gas GVEA will consume for power generation. GVEA currently estimates it will need up to 2.5 Bcf/yr. in 2015.

Other than the GVEA and the Pentex proposals, responses are generally not specific proposals to provide services, or proposals to participate in the building of the project. Rather, they are largely statements of qualifications that will be helpful in project team building, should that be necessary. In particular, the EPC and financial respondents present a variety of capabilities that could benefit the project. AIDEA believes there is significant industry-based expertise and capacity to support the project.

Both GVEA and Pentex provide for the separation of a 2% propane stream within the LNG plant. This commodity stream can be easily hauled in separate tankers to the Interior. As a by-product, AIDEA sees the possibility of an Alaska-sourced propane supply in the Interior, which could be a part of the project development plan. This could be used either in the Fairbanks North Star Borough, or in other Interior rural communities. The propane made available by an initial 9bcf/yr. plant would provide heating for approximately 2,200 average residences on a yearly basis.

Based on its review of responses, AIDEA sees three main alternatives to move this project ahead (AIDEA recognizes there may be other arrangements or approaches as well):

**Option 1**—Proceed with GVEA as the plant developer and operator. Encourage GVEA to use AIDEA SB 23 and HB 74 financing. Approach Pentex/FNG to enter into gas purchase contracts with GVEA, and provide AIDEA financing to Pentex/FNG for a distribution system build-out. Extend the offer of distribution financing to the newly formed municipal utility (Interior Alaska Natural Gas Utility – IGU).

**Option 2** —Proceed with the Pentex proposal and encourage GVEA to enter into contracts for natural gas supplied by Pentex or its subsidiary Fairbanks Natural Gas. Since GVEA as a utility is sensitive regarding security of its fuel supply, we may need to suggest a CINGSA<sup>2</sup>-type company that would operate gas storage in the Fairbanks area, with a governance structure and technical competence that is satisfactory to GVEA. Provide AIDEA financing to Pentex/FNG for a distribution system build-out. Extend the offer of distribution financing to the newly formed municipal utility (Interior Alaska Natural Gas Utility – IGU).

**Option 3**—Develop a new composite turnkey team from the list of responders to develop the LNG plant and storage and re-gas facility in the Fairbanks area. (AIDEA sees this as a necessary option to have available but seeks to work with Pentex/GVEA as a financier to quickly focus the development and begin construction.) Provide AIDEA financing to Pentex/FNG for a distribution system build-out. Extend the offer of distribution financing to the newly formed municipal utility (Interior Alaska Natural Gas Utility – IGU).

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<sup>2</sup> CINGSA stands for Cook Inlet Natural Gas Storage Alaska, and it operates a gas storage facility on the Kenai Peninsula that is available for use by several utilities, such as Enstar and Chugach Electric Association.

AIDEA will thus initially work with Pentex and GVEA, and thoroughly explore options to develop a fully financed project that can move into construction. If a financed project cannot be assembled with either or both Pentex and GVEA, AIDEA will then move forward with Option 3.

### **Regulatory Considerations**

The natural gas supply chain from the gas supply to the retail customer's burner tip could involve, in part, private for-profit utility entities. Thus, ensuring there is economic and quality-of-service protection for Interior consumers is critical. As a result of this real concern, AIDEA, as a financier for the project, will work cooperatively with the Regulatory Commission of Alaska (RCA) to ensure that benefits from this finance package will flow to Alaska residents appropriately. AIDEA will coordinate its investment, lending and bonding with the actions of the RCA.

### **5.0 Recommendations for Moving Forward**

After consideration of the responses received, AIDEA believes there are significant capabilities in the private sector to work with to finance and develop the LNG plant, as well as storage and distribution infrastructure needed to bring natural gas to Alaskans, as envisioned in the Governor's Interior Energy Plan. AIDEA sees promise in the turnkey proposals provided by GVEA and Pentex.

Further, with the Governor's SB 23 and HB 74 legislative initiative, AIDEA can effectively function as a financing entity for this development with the private sector and can be effective as an equity partner in the formation of the consolidated finance plan. This equity position would provide the Authority with significant input regarding certain aspects of the project in order to achieve the goals of the Interior Energy Plan.

Specific actions AIDEA is taking:

1. Prior to the passage of SB 23 and HB 74, AIDEA will:
  - a. As an AIDEA project, undertake a comprehensive LNG and natural gas demand analysis for all potential demand in the Fairbanks North Star Borough and in surrounding Interior areas. This effort will build upon and add to existing demand analyses and include discussions with entities such as IGU, Flint Hills, GVEA, Pentex, and other potential natural gas and LNG customers. This will include the possibility of LNG being provided to other Railbelt communities for use in future, piped delivery systems.

# INTERIOR ENERGY PLAN

- b. Begin a cooperative process with GVEA and Pentex to perform cooperative design reviews of both projects (AIDEA has retained an experienced engineering firm to assist in this process.) This is to include the plans and assumptions for LNG and propane trucking, storage and distribution.
  - c. Working jointly with AEA, expand on the possibility of using propane in the Interior, and means of developing it as a second commodity stream that the LNG plant produces.
  - d. Working with GVEA and Pentex, make site visits as soon as possible to view and assess the adequacy of the proposed liquefaction projects.
  - e. Work with respondents to form the legal and financial structure of a finance package for the project, with the goal of having AIDEA retain appropriate influence over the project in a public-private-partnership. Reach out to financial responders to identify and firm up possible sources of capital for the project.
  - f. Develop in the Fairbanks area a potential business and regulatory structure for a regulated gas storage company (similar to CINGSA) that could supply natural gas to several utilities.
2. **With the passage of SB 23 and HB 74, AIDEA should take the following steps:**
    - a. Review applicable AIDEA regulations to determine if changes are needed to accommodate the new injection of funds.
    - b. Confirm the business and legal structure for the plant and storage/re-gas company, and begin the underwriting process for a SETS loan.
    - c. Begin the process of bonding for the initial expansion of the Fairbanks gas distribution system.

# *Investing in Alaskans*

Alaska Industrial Development and Export Authority

813 West Northern Lights Blvd.  
Anchorage, Alaska 99503

Phone: (907) 771-3000

Fax: (907) 771-3044

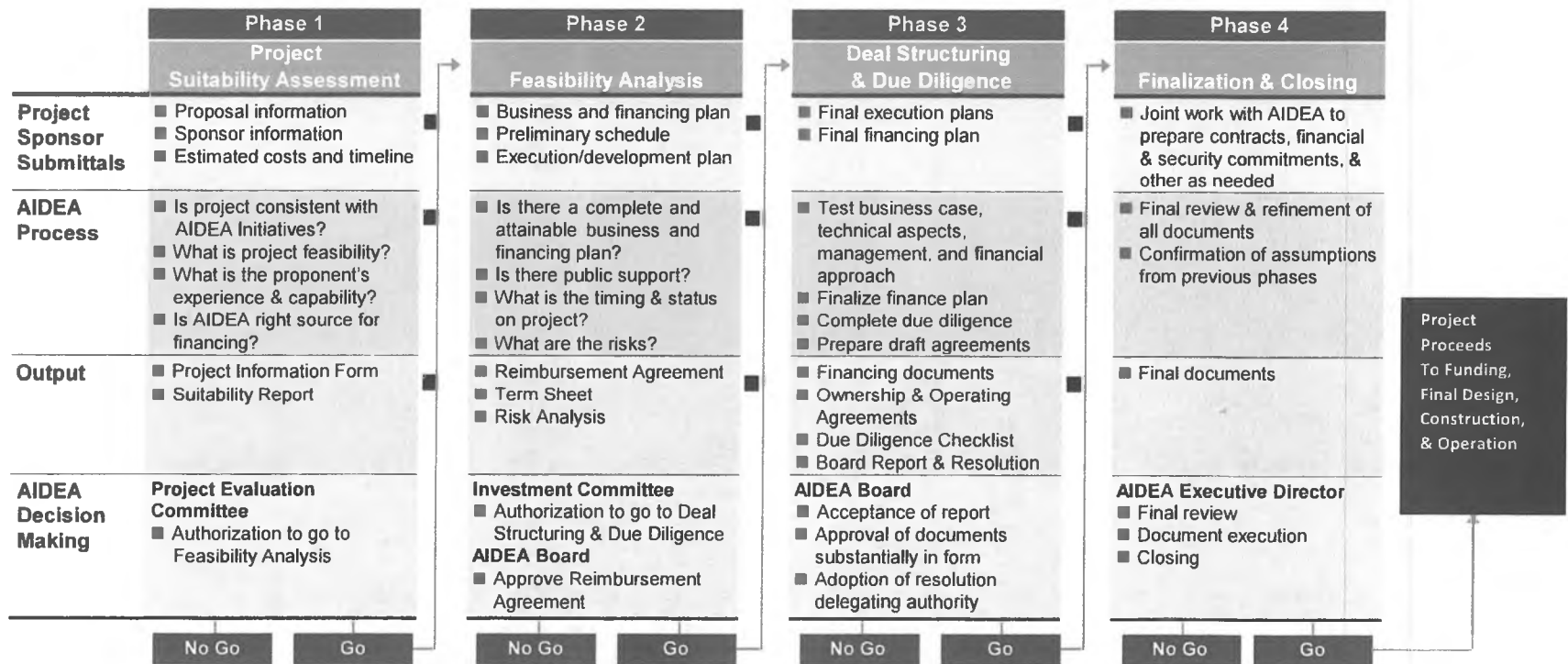
Toll Free (Alaska Only) 888-300-8534



*Investing in Alaskans*



# AIDEA has a Rigorous Project Analysis Process



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## Get gas solution now

**Lisa Herbert | Posted: Saturday, February 16, 2013 12:00 am**

**FAIRBANKS** — Last week, more than 20 Fairbanks members, directors and staff advocated for the Greater Fairbanks Chamber of Commerce's top priorities in the halls of Juneau and around the capital city during the annual legislative fly-in. The goal — to ensure that Interior and rural Alaska's high cost of energy remains at the forefront of our state legislators' conversations this session.

This past fall, the chamber's board deemed "reducing the high cost of energy" to be its top critical legislative priority for 2013. It's no secret in our community — rising energy costs are crippling the Interior's economic development opportunities and are driving away businesses and residents across the state. Disposable income continues to dwindle more and more each year, as residents struggle to pay staggering prices for space heating and electric needs.

While in Juneau, our group was well-received in just about every legislative office when we talked about the Interior's energy situation. We met with more than 50 legislators and three commissioners.

The conversations were different this year. It was clear to me that gas to Fairbanks is something that is being talked about in all of the offices and halls in Juneau, because, as Fairbanks continues to suffer, the negative impacts are felt statewide.

What can you do about it? Support the governor's energy package and encourage the Legislature to take action this legislative session. The consensus for a near-term, immediate solution has become trucking liquefied natural gas from the North Slope as a bridge to the long-term solution of piped natural gas. Gov. Parnell's proposed energy package will provide relief to Alaska residents and businesses. The bills, House Bill 74 and Senate Bill 23, are a great start to providing gas to the Interior, and the trucking of natural gas from the North Slope is broader than just Fairbanks. As the governor said Tuesday in his presentation to the chamber membership, this energy package would leverage natural gas for smaller communities and other regions of the state, it would create a backbone for economic expansion, it would fit in with a gas pipeline plan and it would be a catalyst for private-sector participation.

How can do we get there? We must continue to have discussions with our elected officials and we must not lose sight of the goal to get the lowest cost gas to as many Fairbanks and Interior residents and businesses as soon as possible — most importantly, this legislative session. The governor stressed during his presentation Tuesday that getting gas to Fairbanks is going to require "persistent, unrelenting effort and community support." Let's make sure we provide that support

by sending letters, testifying before the Legislature and encouraging our friends, families, neighbors, customers and co-workers to be a part of the process.

Other talking points to consider when communicating with our elected officials include:

- Diesel fuel for heating homes and businesses, at \$4 per gallon, equates to approximately \$30 per million Btu.

The target of \$15 per MMBtu for delivered natural gas will effectively, after conversion, cut space heating bills in half — freeing up approximately an additional \$200 million annually to circulate throughout our economy.

- Support for a solution does not require support for a specific entity or contractor to do the work. Support for and insistence on a solution that meets the economic objectives — \$15 per MMBtu gas, available widely throughout the community as quickly as possible and achieved this session — is more important.
- A North Slope project will also generate propane that can be used as part of a solution to the rural energy crisis.

No matter what line of work we are in — whether we are laborers or school teachers, accountants or lawyers, students or stay-at-home moms or dads — we are all feeling the effects of the high energy costs. I encourage and implore the members of our community to get involved and help make a difference. Contact the members of our Interior delegation and make sure that they know they have your support for bringing home energy relief before this session concludes.

While I am the executive director of the Fairbanks chamber, I'm also a mother to three beautiful children. I desire for them to have the opportunity to live the life that many of us had been afforded before staggering energy costs began to cripple our community. I'm not an energy expert, but I know that something has to happen this legislative session, and I am committed to remaining engaged in the discussions.

Lisa Herbert is the executive director of the Greater Fairbanks Chamber of Commerce and was recently named 2013 "Top Forty Under 40" by the Alaska Journal of Commerce. Letters of support for HBI 74 and SB 23 were sent to the governor's office by the chamber's board and energy and government relations committees. They can be viewed online at [fairbankschamber.org/boardpositions](http://fairbankschamber.org/boardpositions).

**CITY OF NORTH POLE**

**RESOLUTION 13-02**

**A RESOLUTION SUPPORTING LEGISLATIVE ACTION WHICH WOULD ALLOW DEVELOPMENT OF PROJECT FINANCING BY THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY (AIDEA); AUTHORIZING AIDEA TO PROVIDE FINANCING AND ISSUE BONDS FOR A LIQUIFIED NATURAL GAS PRODUCTION SYSTEM ON THE NORTH SLOPE AND NATURAL GAS DISTRIBUTION SYSTEM IN INTERIOR ALASKA.**

**WHEREAS**, many Interior and Rural Alaskan communities are suffering from extremely high energy cost; and

**WHEREAS**, the development of in-state gas processing facilities on the North Slope would provide a supply of gas for the developing gas market of Northern Alaska; and

**WHEREAS**, known reserves in the Cook Inlet Basin are insufficient to supply the demand for natural gas in South Central Alaska in the future; and

**WHEREAS**, LNG from the North Slope could potentially be a backup gas supply for Cook Inlet and

**WHEREAS**, an interior gas distribution network would need to be constructed to distribute the North Slope Gas to residents and businesses; and

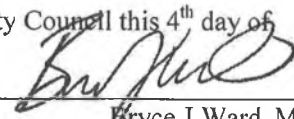
**WHEREAS**, trucking LNG from the North Slope would be necessary to bring the product to market; and

**WHEREAS**, development of vibrant local and statewide economies are dependent on affordable and accessible energy; and

**WHEREAS**, House Bill 74 and Senate Bill 23 include the necessary provisions to incentivize the construction of a natural gas liquefaction facility on the North Slope, trucking LNG to market and a distribution network in the Interior.

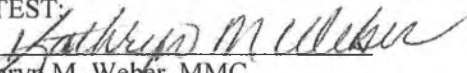
**NOW, THEREFORE, BE IT RESOLVED** that the North Pole City Council supports legislative efforts to allow development of project financing relating to the dividends from AIDEA; authorizing AIDEA to provide financing and issue bonds for a liquefied natural gas production system on the North Slope and natural gas distribution system in Interior Alaska.

**PASSED AND APPROVED** by a duly constituted quorum of the North Pole City Council this 4<sup>th</sup> day of February, 2013



Bryce J Ward, Mayor

ATTEST:



Kathryn M. Weber, MMC  
North Pole City Clerk

**PASSED**

**Yes: Nelson, McGhee, Holm, Smith, Sikma, Ward**

**No: 0**

**Absent: Hunter**



**CITY OF NORTH POLE**

**RESOLUTION 13-01**

**A RESOLUTION SUPPORTING LEGISLATIVE EFFORTS TO CONSTRUCT A  
NATURAL GAS PIPELINE FROM THE NORTH SLOPE TO SOUTH CENTRAL  
ALASKA.**

**WHEREAS**, the development of an in-state gas pipeline would provide stable and affordable gas for Alaskans for many years; and

**WHEREAS**, known reserves in the Cook Inlet Basin are insufficient to supply the demand for natural gas in South Central Alaska in the future; and

**WHEREAS**, many Interior and Rural Alaskan communities are suffering from extremely high energy cost; and

**WHEREAS**, development of vibrant local and statewide economies are dependent on affordable energy; and

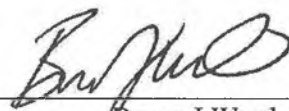
**WHEREAS**, Alaskans wish to leave a legacy of prosperity through development of our natural resources to the maximum benefit for the most Alaskans; and

**WHEREAS**, Alaska Gasline Development Corporation (AGDC) has created the Alaska Stand Alone Gas Pipeline (ASAP) and is seeking monies to bring a instate gas-line to open season; and ultimately to fruition; and

**WHEREAS**, House Bill 4 includes the necessary provisions to advance a successful Alaska natural gas pipeline project.

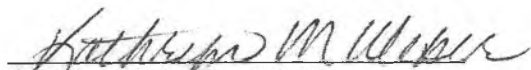
**NOW, THEREFORE, BE IT RESOLVED** that the North Pole City Council supports legislative efforts to fund AGDC as they move forward in developing and advancing a project to construct a natural gas pipeline from the North Slope to South Central Alaska.

**PASSED AND APPROVED** by a duly constituted quorum of the North Pole City Council this 4<sup>th</sup> day of February, 2013



Bryce J Ward, Mayor

**ATTEST:**

  
Kathryn M. Weber, MMC  
North Pole City Clerk

**PASSED**

Yes: Nelson, McGhee, Holm, Smith, Sikma, Ward

No: 0

Absent: Hunter





**Copper Valley Development Association, Inc.**

P.O. Box 9, Glennallen, AK 99588 \* 907-822-5001 phone \* 888-256-5569 fax  
[www.coppervalley.org](http://www.coppervalley.org) \* [info@coppervalley.org](mailto:info@coppervalley.org)

February 19, 2013

Senator Mike Dunleavy, Chair  
Senate Labor and Commerce Committee  
State Capitol, Room 510  
Juneau, Alaska 99801

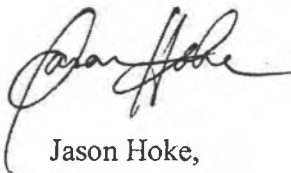
RE: SB 23 Support

Senator Dunleavy,

I would like to offer support from Copper Valley Development Association, the regional ARDOR with Department of Commerce, Community and Economic Development for Senate Bill 23. This bill that authorizes the Alaska Industrial Development and Export Authority (AIDEA) to provide financing for a natural gas liquefaction plant and affiliated infrastructure on the North Slope and a natural gas distribution system and affiliated infrastructure within the Fairbanks North Star Borough. These facilities will make it feasible to truck liquefied natural gas from the North Slope to the Interior, and will allow for a wider distribution of gas and propane elsewhere in the state. The distribution system will then be in place for a large diameter gas line. Senate Bill 23 will help reduce the high cost of energy, bring gas to the interior by 2015, raise the number and quality of economic development projects in the state, and increase the number of jobs available to Alaskans. The establishment of this is the first step in a series of incremental steps necessary to alleviate the high cost of energy in rural Alaska, and broaden the possibilities for this region. In order for our great state to move forward, we need measures such as SB 23 to occur.

Thank you very much for your attention to this Senator, and please feel free to contact me for additional information.

Sincerely,



Jason Hoke,  
Executive Director



**GENERAL  
TEAMSTERS  
LOCAL 959  
STATE OF ALASKA**

*Affiliated with the International Brotherhood of Teamsters*  
Rick Boyles, Secretary-Treasurer  
520 E. 34th Ave., Suite 102, Anchorage, Alaska 99503  
Phone (907) 751-8501 • Fax (907) 751-8599

February 19, 2013

The Honorable Mike Dunleavy  
Alaska Senator  
Chair, Labor & Commerce  
Capitol Room 510  
Juneau, AK 99801

Re: SB 23 LNG Project Fairbanks

Dear Senator Dunleavy:

On behalf of the Teamster members that we represent not only in the Fairbanks and outer area, but statewide, I ask that you and your committee members support and move forward SB 23, which authorizes AIDEA to provide financing and bonds for a much needed natural gas production and distribution system, within the Fairbanks North Star Borough. I personally have lived in Fairbanks for over twenty years and prior to that in Anchorage, so I am very familiar with the differences in cost and availability of gas or heating sources for interior Alaska.

I also am a member of the Fairbanks Chamber of Commerce and know well the challenged economic growth we continue to experience due in large part to the high cost of energy. I am also aware of the impact energy costs are having on our military bases in the interior. We represent members that could find themselves without employment as a direct result of the energy cost.

In addition to the above, the passage of SB 23 will create a much needed infrastructure and we believe, hundreds of jobs, directly and indirectly by bringing LNG to the Fairbanks community. While it may be only a temporary fix, it is a fix that is much needed for the second largest community in our state.

Help us help our community and the state by supporting and passing SB 23 from your committee.

Your time and effort regarding this very important matter is greatly appreciated.

Sincerely,

TEAMSTERS LOCAL 959

Rick Boyles  
Secretary-Treasurer

RB:mk 021913 to Sen Dunleavy SB 23 LNG Project Fairbanks



## Interior Alaska – The “Place” To Do Business

100 Cushman St., Suite 102 | Fairbanks, Alaska 99701-4665  
ph (907) 452-1105 | fax (907) 456-6968 | www.FairbanksChamber.org

February 15, 2013

Honorable Sean Parnell  
Governor of the State of Alaska  
Alaska State Capitol Building  
PO Box 110001  
Juneau, AK 99811-0001

Dear Governor Parnell,

The Greater Fairbanks Chamber of Commerce (GFCC) thanks you for your leadership in introducing a comprehensive financial package that addresses the high cost of energy in Interior and Rural Alaska. Specifically, the GFCC is supportive of HB 74 and SB 23, bills that authorize the Alaska Industrial Development and Export Authority (AIDEA) to provide low interest loans and issue bonds for a liquefied natural gas production and distribution system. The Chamber supports advancement and passage of HB74 and SB 23 and will actively take a role in communicating that message.

We believe your three-pronged approach of providing 1) low interest, long term loans; 2) gas storage tax credits that passed last session; and 3) state general fund dollars are the right financial tools to build out and supply a natural gas infrastructure for Interior and Rural Alaska.

The GFCC agrees with your stated goals of natural gas at \$15/MMBTU to the greatest number of Interior residents and businesses as rapidly as possible. We do have concern that the level of state general fund money in the current version of the capital budget is not sufficient to make the project economical while also reaching the pricing and availability goals. The official GFCC position remains an appropriation of at least \$150 million in state general funds to underpin the economics of this project. As the 2013 legislative session progresses, and both the AIDEA financing bill and capital budget advance, we pledge to work with your administration and the legislature to ensure the amount and type of funds dedicated to this project are sufficient to meet the stated goals.

Lastly, and this cannot be stressed enough, the GFCC and the over 700 member businesses and organizations throughout the Interior we represent, believe it is absolutely necessary that both measures pass THIS legislative session. The Chamber's mission is to advocate a healthy economic environment by building partnerships that promote the greater Fairbanks area as an attractive place for business and community. As an economic hub for the rest of the Interior, we are also invested in solutions to the high cost of energy facing Rural Alaska. Our work is focused on creating a pro-business environment that encourages private sector investment and job creation. We believe the Interior remains the “Place to do

### INVESTORS

#### DIAMOND

BP Exploration  
ConocoPhillips  
ExxonMobil  
Fairbanks Daily News-Miner  
Fairbanks Memorial Hospital & Denali Center  
Flint Hills Resources Alaska  
Mt. McKinley Bank  
Santina's Flowers & Gifts

#### PLATINUM

Alyeska Pipeline Service Co.  
Doyon, Limited  
Fred Meyer Stores  
Golden Heart Utilities  
Wells Fargo Bank Alaska

#### GOLD

Alaska Railroad  
Birchwood Homes  
Carlson Center  
Denali State Bank  
Design Alaska  
Doyon Utilities LLC  
First National Bank Alaska  
Kinross Fort Knox Mine  
Lynden  
MAC Federal Credit Union  
Northrim Bank  
Sumitomo Metal Mining Pogo LLC  
Usibelli Coal Mine

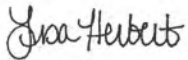
#### SILVER

ACS  
Alaska Airlines  
Alaska USA  
Dr. Christopher Henry – Henry Orthodontics  
Everts Air Cargo, Everts Air AK  
Exclusive Paving/Univ. Redi-Mix  
Fairbanks Natural Gas  
Flowline Alaska  
GCI  
General Teamsters Local 959  
GVEA  
Hale & Associates, Inc.  
JL Properties, Inc.  
Key Bank  
Personnel Plus  
Sam's Club  
Shell Exploration & Production Co.  
Spirit of Alaska FCU  
Tanana Valley Clinic  
TDL Staffing  
Totem Ocean Trailer Express, Inc.  
Tower Hill Mines-Livengood Gold Project  
University of Alaska Fairbanks  
Verizon Wireless  
WAL-MART Stores, Inc.  
Yukon Title Company

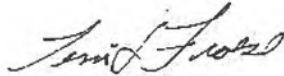
Business", but our mission is made more difficult every year that goes by without action towards a mid-to-long term energy solution that addresses the high cost of energy for our businesses and residents.

We thank you for your leadership on this critical issue facing our community. The Chamber looks forward to being your partner in this "persistent, unrelenting effort" to bring low cost energy to the Interior and Rural Alaska.

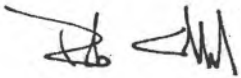
Sincerely,



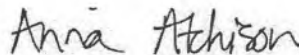
Lisa Herbert  
Executive Director



Terri Froese  
Board of Directors, Chair



Bob Shefchik  
Energy Committee, Chair



Anna Atchison  
Government Relations Committee, Chair

cc: Lt. Gov. Mead Treadwell  
Governor's Chief of Staff, Mike Nizich  
U.S. Senator Lisa Murkowski  
U.S. Senator Mark Begich  
U.S. Representative Don Young  
Bryan Butcher, Commissioner of Revenue  
Dan Sullivan, Commissioner of Natural Resources  
Joe Balash, Deputy Commissioner of Natural Resources  
Gene Therriault, Deputy Director Statewide Energy Policy Development (AEA)  
Mark Davis, Deputy Director Infrastructure Development (AIDEA)  
Jim Strandberg, Energy Development Finance Officer (AIDEA)  
Interior Delegation  
Alaska State Legislature  
Alaska Chambers of Commerce  
Associated General Contractors  
National Federation of Independent Businesses  
Fairbanks Daily News-Miner  
Membership of the Greater Fairbanks Chamber of Commerce



**ALASKA PARTNERSHIP  
FOR ECONOMIC DEVELOPMENT**

Growing, sustaining,  
and diversifying  
Alaska's economy.

February 25, 2013

**A RESOLUTION OF THE ALASKA PARTNERSHIP FOR ECONOMIC  
DEVELOPMENT BOARD OF DIRECTORS SUPPORTING SENATE BILL 23:  
Authorizing the Alaska Industrial Development and Export Authority to provide  
financing and issue bonds for a liquefied natural gas production system and  
natural gas distribution system; and providing for an effective date.**

**Resolution #13-1**

Whereas; the Alaska Regional Development Organizations (ARDOR) was established by the Alaska Legislature in 1988; and

Whereas; the ARDOR's statutory mandate is to encourage the formation of regions development organizations to prepare and implement regional development strategies; and

Whereas; the ARDOR's represent a diverse network of public, private and economic development groups that drive local initiatives and advance economic diversification through partnerships with state and local governments; and

Whereas; the ARDOR's established the Alaska Partnership for Economic Development, (APED), in 2009, to advance economic development and address initiatives affecting development and to help develop a state-wide comprehensive strategic plan; and

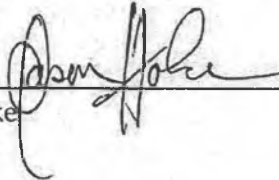
Whereas; the ARDOR/APED programs have established partnerships with more than 300 local, regional, private, municipal and public organizations to pool resources, decrease duplication and foster new businesses; and

Whereas; the APED now comes in support of the following legislation being considered by the Alaska State Legislature:

**NOW THEREFORE BE IT RESOLVED;** the Alaska Partnership for Economic Development supports SENATE BILL 23; : "An Act relating to development project financing by the Alaska Industrial Development and Export Authority; relating to the dividends from the Alaska Industrial and Export Authority; authorizing the Alaska Industrial Development and Export Authority to provide financing and issue bonds for a liquefied natural gas production system and natural gas distribution system; and providing for an effective date."

APPROVED THIS 25<sup>th</sup> OF February 2013

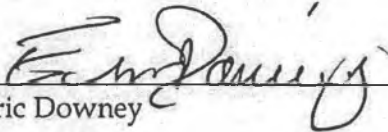
\_\_\_\_\_  
Jason Hoke  
President



\_\_\_\_\_  
2-25-13  
Date

ATTEST:

\_\_\_\_\_  
Eric Downey  
Secretary



\_\_\_\_\_  
2/25/2013  
Date

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**From:** Chuck Wiegiers <CWiegiers@aarofing.biz>  
**Sent:** Sunday, February 17, 2013 1:04 PM  
**To:** Sen.Mike.Dunleavy@akleg.gov  
**Cc:** Sen.Peter.Micciche@akleg.gov; Sen.Donald.Olson@akleg.gov;  
Sen.Bert.Stedman@akleg.gov; Sen.Johnny.Ellis@akleg.gov; Brakes, Heather K (GOV)  
**Subject:** Governor's Energy Relief Package

Chairman Dunleavy;

I am writing in support of the Governor's bill (SB 23) to facilitate the trucking of LNG to the interior.

I am a long time Fairbanksan (30+ years) and my wife and children were all born in Fairbanks. My company has served the interior and the State of Alaska since 1965, employing an average of 30 workers during the construction season. It has always been a bit more challenging to live and work in Fairbanks, but in the last several years the high cost of energy has made it much more than challenging, many have found it impossible and have packed up and left. With electricity and heating costs higher than mortgages, people are left with little or no discretionary income. This puts a strain on businesses as well as families, a strain that is felt all the way to Anchorage, where all of the goods pass through and many of the Fairbanks businesses have a home base.

We have all hoped for a large diameter gas line and are willing to settle for a small diameter in state gas line, but with each passing legislature hope and opportunity fade. For such an energy rich state to leave its citizens starving for affordable energy is hard to fathom. I know that the answers are not easy, but the Governor's bill provides an opportunity for stakeholders to pursue a short term solution to get gas and propane from the North Slope to the Interior and beyond. And with each market opened up, more opportunities will emerge. As you know this is not a handout; the loan will be repaid to the State. It is a start down the road of getting Natural Gas from the North Slope to the citizens of the State and eventually to markets abroad.

I urge you to support the Governor's bill.

Respectfully  
Chuck Wiegiers  
A & A Roofing Co. Inc.  
Fairbanks, Alaska

Cc  
Vice-Chair Micciche  
Senator Olson  
Senator Stedman  
Heather Brakes

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**From:** Jeff Ailing <jeffa@alcanbuilders.com>  
**Sent:** Wednesday, February 13, 2013 3:42 PM  
**To:** Sen.Mike.Dunleavy@akleg.gov  
**Cc:** Sen.Peter.Micciche@akleg.gov; Sen.Donald.Olson@akleg.gov;  
Sen.Bert.Stedman@akleg.gov; Sen.Johnny.Ellis@akleg.gov; Brakes, Heather K (GOV)  
**Subject:** SB 23 Letter of Support

Chairman Dunleavy;

I am writing in support of the Governor's bill (SB 23) to facilitate the trucking of LNG to the Interior.

I have lived, worked and raised my family in Fairbanks over the last 32 years. I have been the owner of a large Commercial General Contracting Company that employees between 10 and 50 people each year.

The high cost of energy is inhibiting economic growth in this fine community for the following reasons.

- 1) What little discretionary income people used to have is currently being paid to heat or provide electricity for their homes. Because of this Interior businesses are feeling the crunch.
- 2) Many people are considering or are in fact moving to the Lower 48 to escape the extremely high energy costs.
- 3) Eielson AFB is potentially on the chopping block due to the high cost of energy. If this move is approved it could affect about 20% of our local economy to say nothing of what it will do to the North Pole community.
- 4) Some large stores who were looking to expand to Fairbanks have unofficially signaled that they will not come to this town until LNG becomes a solid reliable option as a fuel source.

We in the Fairbanks business community recognize the trucking option as a temporary fix to a serious problem. We need the trucking option implemented now. We cannot afford to wait one more year as the pipeline option continues to get kicked down the road.

Please support SB 23

Thank you,  
Jeff Ailing  
President, Alcan Builders Inc

Vice-Chair Micciche  
Senator Olson  
Senator Stedman  
Heather Brakes



Senator Pete Kelly, Co-Chair  
Senate Finance Committee  
State Capitol, Room 516  
Juneau, Alaska 99801

Senator Kevin Meyer, Co-Chair  
Senate Finance Committee  
State Capitol, Room 518  
Juneau, Alaska 99801

Re: Senate Bill 23 – AIDEA: LNG Project; Dividends; Financing

Dear Senators Kelly and Meyer,

Please accept this request for your consideration to schedule Senate Bill 23 – AIDEA: LNG Project; Dividends; Financing – before the Senate Finance Committee at your earliest convenience.

As part of the Governor's Interior Energy Plan, SB 23 authorizes the Alaska Industrial Development and Export Authority (AIDEA) to provide financing in conjunction with the private sector for a natural gas liquefaction plant and a natural gas distribution system. The language allows for AIDEA to issue up to \$150 million in bonds for the project and further authorizes \$125 million in direct financing from the Sustainable Energy Transmission and Supply (SETS) fund in the form of loans, guarantees, or any other finance mechanism permitted under SETS. This comprehensive project is designed to move North Slope gas to Interior Alaska, providing for a reliable natural gas supply and reduced energy costs.

Additionally the bill will enable AIDEA to participate in direct development project financing, a mechanism designed to encourage economic development projects. Rather than owning an interest in the project, it would permit the authority to engage in project financing by loaning money to a project or guaranteeing a loan for a project and is designed to stimulate economic development in the state.

If you have any questions regarding this bill, please feel free to contact myself at 771-3050, or Gene Therriault, Deputy Director of Statewide Energy Policy Development at 374-3300.

Sincerely,

A handwritten signature in black ink, appearing to read "Ted Leonard", with a horizontal line drawn through it.

Ted Leonard, CMA, SPHR  
Executive Director

# UAF Utilities Power Plant

